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UNITED STATES TRADE

Performance in 1987

INCLUDING SPECIAL TOPICS:

ADMINISTRATION TRADE ACTIONS UNDERWAY IN 1987
THE URUGUAY ROUND: IMPROVING THE INTERNATIONAL
COMPETITIVE CLIMATE FOR U.S. INDUSTRY
ADMINISTRATION OF ANTIDUMPING AND
COUNTERVAILING DUTY LAWS
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BETTER DATA ON SERVICES TRADE A PRIORITY
DEVELOPING TRADE PATTERNS FOR ADVANCED MATERIALS
RECENT CHANGES IN DATA METHODOLOGY
MAJOR TRENDS IN U.S. MOTOR VEHICLES AND PARTS TRADE
U.S. AGRICULTURAL TRADE— THE SURPLUS EXPANDS



U.S. DEPARTMENT OF COMMERCE
International Trade Administration

UNITED STATES TRADE


Performance in 1987



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FOREWORD

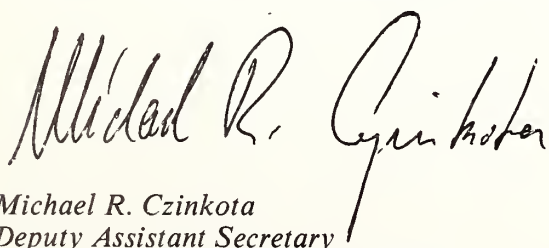
The United States is beginning to experience a welcome improvement in its merchandise trade account. In volume terms, the 1987 deficit was significantly less than the 1986 figure—with exports up by over 12 percent, and it is likely that the nominal deficit will decline in 1988.

Developments in U.S. trade have had a profound effect on the global economy during this decade, with growing U.S. deficits representing the major portion of economic growth for many U.S. trading partners. But the resultant large global trade imbalances among major trading nations is not sustainable, and we are beginning to witness the adjustment of the U.S. and foreign economies to changes in merchandise trade flows.

This is the fourth annual report on U.S. trade performance by the International Trade Administration. It presents a comprehensive analysis of U.S. trade and its role in the world economy. Trade in merchandise, business services, and other current account components are covered, and the relation of export and import developments to U.S. international financial transactions is described.

The report demonstrates that manufactures trade is the primary sector where most of the changes in U.S. trade performance must occur in order for the overall trade deficit to be significantly reduced. Adjustments in this sector will require corresponding adjustments in the manufactures trade of our major trading partners' economies. The ease with which these adjustments can be accomplished directly depends on the extent those countries can stimulate their own internal domestic demand growth, open their economies more to foreign products, and lessen their reliance on the U.S. market as an engine for their economic growth.

In the meantime, pressures from intensified import competition have accelerated structural adjustment of U.S. sectors, creating some pain for U.S. companies and their workers, but most importantly improving their abilities to realize increased sales opportunities abroad and in the domestic U.S. market. U.S. goods and services have achieved dramatic improvements in their price competitiveness from that restructuring and the appreciation of our major trading partners' currencies in terms of the U.S. dollar. The pace of the adjustment process will be significantly influenced by the ability of U.S. firms to capitalize on their improved competitive position.



Michael R. Czinkota
Deputy Assistant Secretary
for Trade Information and Analysis

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Questions about the content of this publication should be directed to the Office of Trade and Investment Analysis (202-377-2456).

TABLE OF CONTENTS

HIGHLIGHTS OF 1987 U.S. INTERNATIONAL TRADE vii

1

U.S. TRADE IN PERSPECTIVE..... 1

Growing International Interdependence	1
Content of This Report	2
Growth of World Trade Continues.....	2
The U.S. Role in World Trade	3
Effects on Foreign Economies	3
Importance of Trade to the U.S. Economy ..	5
Effects of U.S. Trade Deficits	7
Effects of U.S. Borrowing from Abroad	8
A Long-Term Outlook	9

2

U.S. TRADE PERFORMANCE IN 1987 .. 11

Composition of U.S. International Transactions	11
U.S. Merchandise Trade Performance	13
Composition of U.S. Merchandise Trade	13
Mineral Fuels	14
Agricultural Trade	14
Other Non-manufactured Goods Trade	14
Manufactures Trade	15

3

U.S. MANUFACTURES TRADE 17

Manufactures Trade by 1-Digit Product Group	17
High-Tech Versus Non-High Tech Trade	18
High-Tech Trade Performance	19
Non-High Tech Manufactures Trade	20
Manufactures Trade on an End-Use Basis	20

Major Manufactures Product Groups' Trade	20
U.S. Trade Performance on a Product Basis ...	21
Sch. A/E 51 Organic Chemicals	22
Sch. A/E 52 Inorganic Chemicals	22
Sch. A/E 54 Medicinals & Pharmaceuticals	23
Sch. A/E 58 Synthetic Resins, Rubber, and Plastic Materials	23
Sch. A/E 64 Paper and Paperboard and Manufactures	24
Sch. A/E 65 Textile Yarn, Fabric, & Articles	24
Sch. A/E 66 Nonmetallic Mineral Manufactures	25
Sch. A/E 67 Iron and Steel	25
Sch. A/E 68 Nonferrous Metals	26
Sch. A/E 69 Miscellaneous Metal Manufactures	26
Sch. A/E 71 Power Generating Machinery	26
Sch. A/E 72 Special Industrial Machinery	27
Sch. A/E 73 Metalworking Machinery	28
Sch. A/E 74 Miscellaneous Industrial Machinery and Parts	28
Sch. A/E 75 Office and ADP Machines	29
Sch. A/E 76 Telecommunications and Sound Recording Equipment	29
Sch. A/E 77 Miscellaneous Electric Machinery and Parts	30
Sch. A/E 78 Road Motor Vehicles	30
Sch. A/E 79 Other Transport Equipment ...	31
Sch. A/E 84 Wearing Apparel and Accessories	32
Sch. A/E 85 Footwear	32
Sch. A/E 87 Professional, Scientific, and Controlling Instruments	33
Sch. A/E 89 Miscellaneous Manufactures	33
Sch. A/E 97 Nonmonetary Gold	34

4

REGIONAL AND COUNTRY MERCHANDISE TRADE PERFORMANCE

Regional Patterns of U.S. Trade	35
Total Trade.....	35
Manufactures Trade	36
U.S.-Japan Trade	37
Total Trade.....	37
Manufactures Trade	37
East-Asian NICs	38
Total Trade.....	38
Manufactures Trade	39
Canada	40
Total Trade.....	40
Manufactures Trade	40
Latin America	41
Total Trade.....	41
Manufactures Trade	42
European Community (EC-12)	42
Total Trade.....	42
Manufactures Trade	44
OPEC	44
Centrally Planned Economies (CPEs)	44

5

U.S. BUSINESS SERVICES TRADE

Overview of U.S. Business Services Trade	48
Recent Performance	49
Travel and Transportation	49
Travel	49
Passenger Transportation	49
Shipping and Other Transportation	50
Proprietary Rights	50
Other Business Services	50
The Importance of Business Services	51

6

THE U.S. CURRENT ACCOUNT, CAPITAL FLOWS, AND INTERNATIONAL INVESTMENT POSITION

Current Account, Capital Flows and IIP Linkages	53
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Composition of the U.S. Current Account	54
U.S. International Investment Income.....	54
Direct Investment Receipts and Payments	55
Other Private Investment	55
U.S. Government	56
Other International Transactions	56
Military Transactions.....	56
U.S. Government Services	56
Net Unilateral Transfers.....	56
Capital Flows and Deterioration of the U.S. IIP Position	57
Current Account-IIP Linkage	57
Rapid U.S. Swing into Debtor Status	58
U.S. Assets Abroad	58
U.S. Bank Lending Abroad	58
U.S. Direct Investment Abroad.....	58
Foreign Assets in the United States	59
Dominant Role of Manufactures Trade in U.S. External Accounts	59

7

SPECIAL TOPICS

Administration Trade Actions Underway in 1987	61
The Uruguay Round: Improving the Inter- national Competitive Climate for U.S. Industry	67
Administration of Antidumping and Countervailing Duty Laws	69
The Advent of the Harmonized System	74
Better Data on Services Trade a Priority	76
Developing Trade Patterns for Advanced Materials	78
Recent Changes in Data Methodology.....	80
Major Trends in U.S. Motor Vehicles and Parts Trade.....	83
U.S. Agricultural Trade—The Surplus Expands	88

STATISTICAL APPENDIX.....

Data Notes	95
Merchandise Trade Data	95
Business Services Data	95
Census Schedules A and E Product Composition	96
Tables	97

HIGHLIGHTS

United States merchandise trade reached a record level in 1987 of \$677 billion. Total world trade also reached record proportions. Although the United States continued to be the world's largest trading nation, rapid increases in the trade of some other countries have contributed to a slow but steady decline in the U.S. share of world trade.

By 1987 the growth in the U.S. trade deficit reached a record \$171 billion. However, its growth had slowed and in volume terms the deficit showed a significant contraction. While U.S. imports reached a record \$424 billion, exports—at \$253 billion—finally exceeded their 1981 peak.

Exports grew more rapidly in value than imports in 1987, for the first time since 1980. In volume terms, exports surged ahead by 12 percent in 1987, nearly three times the growth rate of imports, and, as a result merchandise trade contributed a large share of U.S. economic growth.

U.S. trade continues to be a vital contributor to U.S. economic performance, helping to satisfy through imports U.S. consumer and producer needs, while contributing through exports to the growth of U.S. output and employment. In 1987, exports accounted for 5.4 percent of U.S. GNP and about 14 percent of U.S. goods production. Furthermore, the competition afforded by imports has been a spur to U.S. producers' efforts to increase efficiency and hold down inflation during a period of solid U.S. economic growth, rising output and employment and dropping unemployment.

The U.S. economy—the world's largest and most open—continues to contribute to foreign economic growth. The slippage in the U.S. trade deficit since 1981 has been a major source of increased export earnings of U.S. trading partners and a powerful stimulus to their output. The U.S. position as economic locomotive must now be shared with the other major developed countries.

The U.S. balance-of-payments current account—primarily a reflection of the U.S. merchandise trade deficit—reached 3.6 percent of U.S. GNP in 1987. The current account deficit was a mirror image of the U.S. net international investment flows in 1987 that transformed the United States into the world's largest borrower with the world's largest international debt position of about \$400 billion at year end. This shift is also reflected in the large increases in creditor position of other countries, particularly Japan (the world's largest creditor nation), West Germany and Taiwan.

International capital flows in recent years appear to have increasingly determined rather than been passive reactors to U.S. trade flows. Rising foreign demand for U.S. financial and real property assets have had a

major impact. These financial flows have helped drive up the U.S. international investment position equal to about 9 percent of GNP by the end of 1986, and the corresponding net income payment outflows have started to rise accordingly. The United States became officially a debtor nation in 1985 (and the world's largest in 1987), with foreign-owned assets in the United States officially exceeded by U.S.-owned assets abroad for the first time since 1914.

Correction of the U.S. current account balance seems to depend almost wholly on reduction of the merchandise deficit as the U.S. balance in business services has been declining, recording a small surplus of \$877 million in 1987. International investment income is becoming a less significant source of future surpluses, having decreased to a net income of \$14 billion in 1987.

Merchandise trade has been the key to the 1981-87 slippage in the overall current account and the merchandise trade account. Given the lack of other sources of large improvements, manufactures is also the component that must improve markedly to reduce significantly those deficits. By 1987 the manufactures balance swung negatively by \$153 billion to a \$138 billion deficit. Recently, however, the manufactures deficit in volume terms has actually been shrinking, while price effects produced by dollar depreciation since early 1985 have continued to inflate the deficit in value terms.

An examination of the trends and developments in manufactures trade from a number of angles—finished versus semifinished, high-tech versus non-high tech, by end-use, and at a detailed level—reveal several important points. Competition has been increasingly taking place in more advanced manufactures. International transmission of technology and shortened product life cycles have made price competition increasingly important in fostering increased U.S. industrial restructuring to meet that competition.

In 1987 Canada continued as the largest U.S. trading partner and the largest U.S. export market. Japan continued as the largest supplier of U.S. imports, with the East Asian NICs continuing to rapidly rise as important sources. In fact, Taiwan topped Mexico, to become the fourth largest import source, just behind West Germany. Trade with Japan produced the largest deficit—\$59.8 billion—far exceeding the \$19.0 billion deficit with Taiwan (the second largest deficit) and the \$16.3 billion deficit with West Germany.

Private business services, while accounting for well over half of U.S. output, account for a relatively small share of overall U.S. international trade. In 1987 almost two-thirds of the total U.S. business services exports and nine-tenths of the imports were in travel and transportation. The slippage in the trade balance for those services has been partly offset by U.S. earnings on trade in several other services such as proprietary rights (fees and royalties for technology) and professional services.



U.S. TRADE IN PERSPECTIVE

Growing International Interdependence

International trade—the exchanges of goods, services and technology across national borders—has over the centuries immeasurably speeded the advance of civilization and the growth of living standards around the world. In today's world, international trade each year becomes a more important and critical factor in determining the wealth of individual nations and global living standards. As technology advances ever more rapidly and as industrialization continues around the world, it becomes increasingly true that no single nation—no matter how large its population or vast its natural resources—can excel in every technology and efficiently produce every good. No nation can achieve its full economic potential and maximize growth in the living standards of its citizens without importing goods, services and technology. Moreover, increasing the volume and efficiency of global production requires the transfer of financial capital among nations.

The increasing amounts and importance of international trade and investment flows have rapidly created an increasingly integrated—and increasingly interdependent—world economy. This interdependency provides many benefits. Yet, it also imposes costs and obligations on individual nations.

While the degree of dependence on trade varies among countries, every country is increasingly affected by the policies and economic performance of others. Growing interdependence constrains the ability of individual nations to control their own economic fortunes. What had been purely domestic policy issues are now often either strongly influenced by other nations or have important repercussions on them. While this is true for all nations, clearly, the policies and performance of the

larger national economies have greater effects on others than do the policies and performance of smaller economies.

Increasing global linkages between companies, industries, and nations have dramatic repercussions on individual domestic economies and their policy makers. It is increasingly clear that it is impossible for dynamic, growing economies to be insulated from international markets. Decisions that once had only domestic implications now may affect—and be affected by—global market forces and foreign economic policies.

Cause and effect relationships in the trade field have also shifted. Earlier, it was accepted that trade flows determined capital flows and, therefore, exchange rate levels. More recently, however, capital flows have very much been driven by forces other than trade flows and capital flows have in large measure set exchange rates, which in turn, affect trade flows.

The ability of governments to influence capital flows and resulting trade flows is constrained by the huge volume and volatility of private sector international capital movements. These huge capital movements may overwhelm the financial resources which can be marshalled by governments, even when acting in concert.

Policy makers may, therefore, find themselves with increasing international trade and investment responsibilities, yet with fewer and less effective tools to carry out these responsibilities. Because domestic economies are becoming more vulnerable to international shifts and changes, notions about national sovereignty and extraterritoriality are evolving. The same interdependence that has made nation-states more affluent has in some ways also left them more vulnerable.

No single country dominates or can set the course of world economic performance. Nevertheless, because the United States is the world's largest economy, the

world's largest trader, the largest recipient and holder of international investment, and has long been the major supplier of new technologies to the world, its economic performance and trade and investment policies are critically important to continued global economic expansion. For example, in recent years growing U.S. merchandise trade deficits have sparked much of the economic growth in Japan, Europe and East Asian newly industrialized countries (NICs), and added to the trade surpluses necessary for many less developed countries (LDCs) to service their debts.

But the recent very large U.S. merchandise trade and current account deficits—and the complementary large surpluses of Japan, West Germany, Taiwan and some other countries—are imbalances that cannot be sustained indefinitely. In an integrated global economy that has become highly dependent on U.S. trade deficits, these imbalances are not just a U.S. problem, but a problem for every participant in the global trading system.

Content of This Report

The narrowing of U.S. trade and current account deficits that must occur will significantly affect not just the United States but the economies of other nations as well—particularly those with large surpluses that complement the U.S. deficits. Achieving an orderly narrowing while maintaining strong global economic growth will require difficult actions not just by the United States, but as well by other countries. The years ahead will thus test the willingness of individual countries to pursue policies that fulfill their international obligations to support a mutually beneficial global trade and financial system.

This fourth annual report reviews U.S. goods and services trade performance in 1987 and relates it to global trade and investment flows. The relative roles of U.S. merchandise (goods) trade, business services trade, investment income, and other components of the current account—the measure of the balance on all U.S. transactions with the rest of the world—are described. Merchandise trade is examined in detail and shown to be the dominant factor in the growing U.S. current account deficits of recent years. Within merchandise trade, manufactures trade is identified as the key factor in the recent enlarging of U.S. deficits and the major component in which performance must improve as overall U.S. current account performance improves.

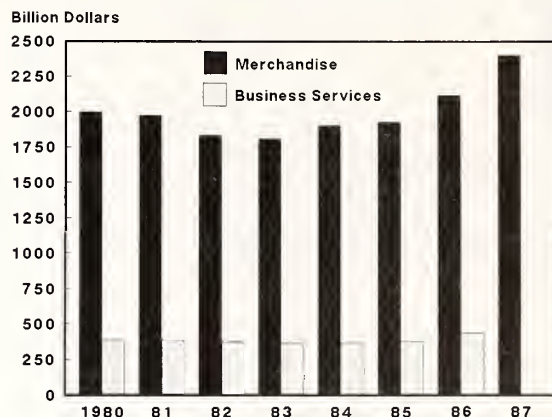
Growth of World Trade Continues

The growth of world goods (merchandise) trade continued in 1987, reaching \$2.3 trillion dollars. Measured in dollars, world goods trade increased about 10 percent in both 1986 and again in 1987, passing the \$2.0 trillion 1980 prior peak level (Figure 1.1). Dollar measurements of world trade are, however, distorted by fluctuations in the dollar exchange rate. For example, other things equal, as the dollar declines relative to other currencies, the valuation of trade of other nations increases when translated to dollars. Thus, the decline of the dollar exchange rate during 1986 against many

other currencies provided an upward bias to dollar world trade measurements, compared to those of 1984 when the dollar was at higher levels.

Figure 1.1

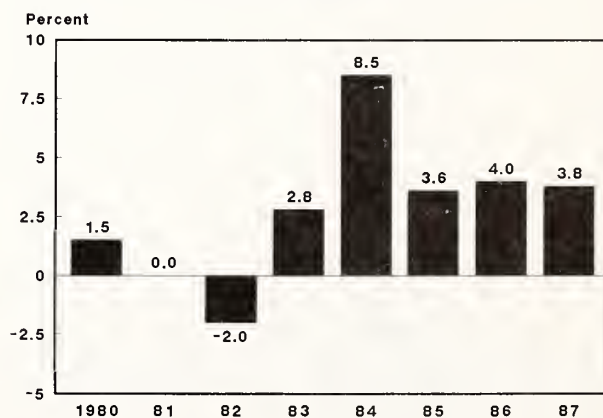
WORLD MERCHANDISE AND BUSINESS SERVICE EXPORTS, 1980-87



Expressed in volume terms, estimates of the Organization for Economic Cooperation and Development (OECD) indicate that world trade increased by nearly 4 percent in 1987 over 1986 levels (Figure 1.2). In recent years, the volume of world trade declined only in 1982, during the global recession.

Figure 1.2

CHANGE IN WORLD MERCHANDISE TRADE VOLUME, 1980-87



International business services trade—international exchanges of passenger and other travel and transportation services, reinsurance, communications, banking, film rentals, engineering design, copyrights, fees for use of patented technology, and various other tradeable services provided by businesses—also continued its growth in 1987.¹ World business services trade is about one-fifth the level of world merchandise trade and reached \$436 billion in 1986 (the most recent year for which relatively complete data are available).

¹ As defined in this report, business services exclude "investment income." Investment income, sometimes called factor income, is the receipts and payments of interest, dividends, royalties, loan capital, etc. between multinational companies and their affiliates in other countries and between unaffiliated parties in different countries.

The U.S. Role in World Trade

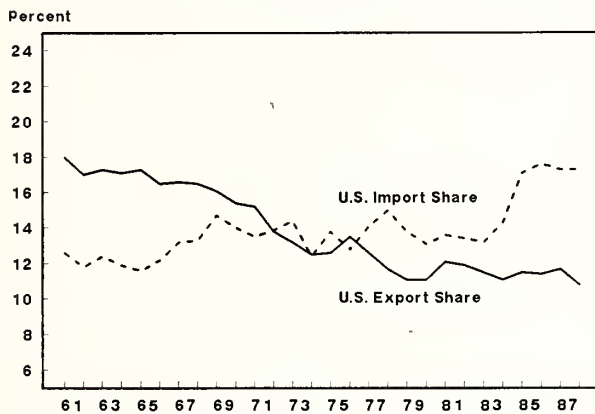
Effects on Foreign Economies

The United States continues to be the world's largest international trader, though its share of total world trade continues to decline. As in other dollar-denominated measurements, fluctuations in the exchange rate introduce biases into share calculations. Other things equal, the appreciating dollar of earlier years tended to increase the U.S. share, while the dollar depreciation of 1986 exerted an opposite effect. Given these problems, share calculations denominated in any single currency in an era of widely fluctuating exchange rates should be viewed only as crude indicators of volume trends.

Bearing these limitations in mind, the U.S. share of world exports declined from 12.1 percent in 1981 to 10.8 percent in 1985 and remained at that share level through 1987 (Figure 1.3).

Figure 1.3

U.S. SHARE OF WORLD EXPORTS & IMPORTS 1960-1987



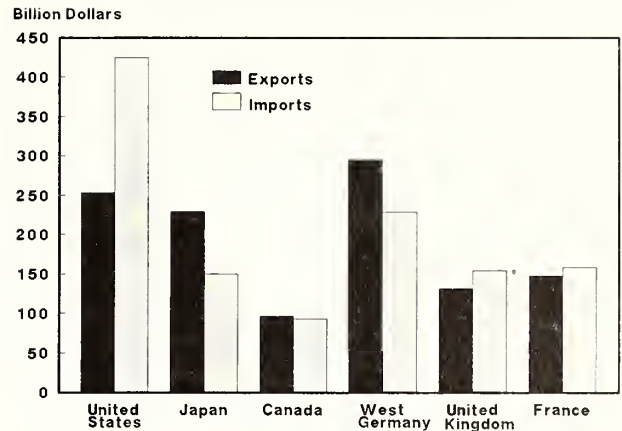
Conversely, the U.S. share of imports grew from 13.5 percent in 1981 to about 17.4 percent in 1985 and was 17.3 percent in 1987. The large U.S. share of world imports in 1987 reflects the dollar value growth of U.S. imports that is partly inflated by the effect of dollar depreciation on the value of imports from a number of other major trading nations.

During 1987 top-ranking West Germany's dollar-denominated share of world exports rose to 12.6 percent from the 1985 level of 9.1 percent; its imports share over the same period moved from 7.8 to 9.3 percent. Third-ranking Japan's share of world exports increased from 8.7 percent in 1985 to 9.8 percent in 1987, while its import share fell from 6.4 percent in 1985 to 5.7 in 1986 and rose back to 6.1 percent in 1987.

In dollar terms, 1987 U.S. merchandise exports of \$253 billion were 14 percent smaller than those of West Germany and 10 percent greater than Japan's. U.S. imports of \$424 billion, however exceeded West Germany's by 86 percent and Japan's by 184 percent (Figure 1.4).

Figure 1.4

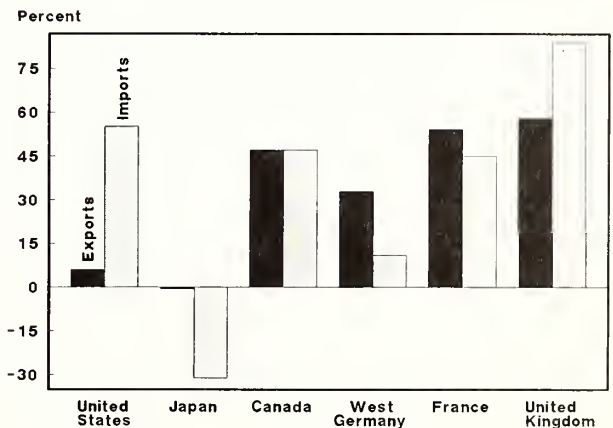
MERCHANDISE EXPORTS AND IMPORTS OF LEADING TRADING NATIONS IN 1987 (Exports, f.o.b.; Imports, c.i.f.)



Given the exchange rate effects on share measurements, examination of trends in local currencies may provide more useful insights. By 1986, the dollar value of U.S. merchandise exports were still 5 percent below the earlier 1981 peak level, and then surged upward in 1987 to 6 percent above that prior peak, while U.S. imports had grown by 55 percent over the 6-year period (Figure 1.5). Measured in Deutschmarks, however, West Germany's exports over the same period grew 33 percent and its imports by 11 percent. The yen value of Japan's exports were one percent less in 1987 than 1981; its imports declined by 31 percent, a fall attributable in large part to a sharp drop in the price of oil and the effects of yen appreciation during 1985-87.

Figure 1.5

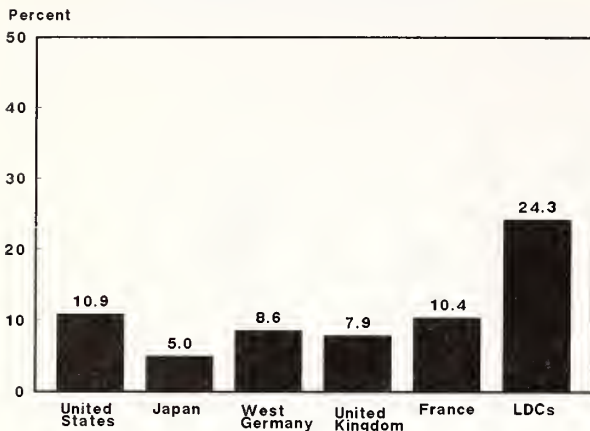
CHANGE IN EXPORTS AND IMPORTS OF SELECTED COUNTRIES, 1981-87 (in National Currencies)



Based on dollar-denominated International Monetary Fund data, the U.S. share of free world business services exports in 1986—the most recent data year available—is slightly larger than the U.S. share of world merchandise exports (Figure 1.6). With a 10.9 percent share, the U.S. ranks first, followed by France (10.4 percent) and West Germany (8.6 percent). Japan's share is 5.0 percent. LDCs as a group accounted for about 24 percent of the 1986 total.

Figure 1.6

SHARE OF WORLD BUSINESS SERVICE EXPORTS BY SELECTED COUNTRIES, 1986



The very large U.S. goods and services trade shares make U.S. trade particularly important to the world economy. Changes in the U.S. economy—the world's largest and most open—and resulting changes in U.S. trade flows significantly affect the economic performance of other countries. A strong, growing U.S. economy increases U.S. imports, stimulating the economies of foreign suppliers. Weak U.S. economic performance, on the other hand, holds down U.S. demand and U.S. imports and may slow foreign production growth.

The dollar exchange rate and other factors that affect U.S. competitiveness also affect foreign competitors, not only in the U.S. market but in their home markets and in third-country markets. Given the size of U.S. trade, large changes in U.S. current account and merchandise trade levels and balances can have especially important effects on other nations. The \$168 billion deterioration in the U.S. current account balance and the \$131 billion slippage in merchandise trade (balance-of-payments basis) deficit over the 1981-87 period significantly enlarged the exports and improved the balances of U.S. trading partners and provided a powerful stimulus to their output (Figures 1.7 and 1.8).²

² Both the merchandise balances reported on the Census basis used in this report and the current account balance-of-payments basis cover exports of domestic and foreign merchandise and general imports, including imports for consumption and entries under bond and held under the custody of the U.S. Bureau of Customs.

The principal difference between merchandise balances reported on the Census basis used in this report and those reported in the current account of the balance-of-payments is the basis of valuing imports. Imports on the Census basis are valued "c.i.f." but on the current account basis are valued "f.a.s." foreign port. As a result, the Census merchandise import values include international transportation and insurance fees, regardless of whether those services are provided by U.S. or foreign-owned firms. In the current account those services fees are reported separately under transportation and insurance imports, but only if purchased from foreigners.

Other significant differences are inclusion as merchandise in the current account of electrical energy and non-monetary gold shifted between foreign official holdings in the Federal Reserve Bank of New York and the private market as merchandise, and exclusion of U.S. military agencies' sales from exports and their transactions from imports.

Figure 1.7

CHANGES IN MERCHANDISE TRADE AND CURRENT ACCOUNT BALANCES OF SELECTED COUNTRIES, 1981-87, (Balance-of-Payments Basis)

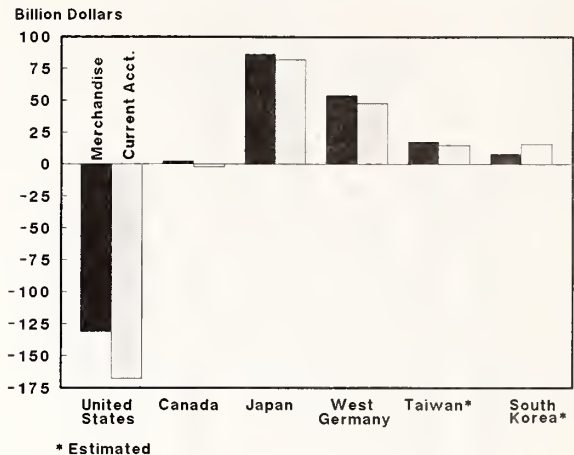
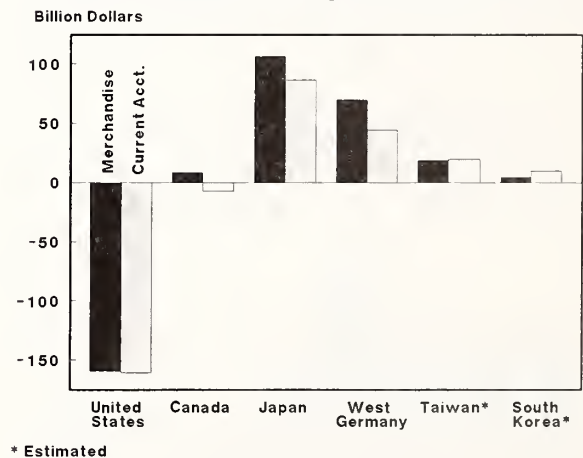


Figure 1.8

MERCHANDISE TRADE AND CURRENT ACCOUNT BALANCES OF SELECTED COUNTRIES, 1987 (Balance-of-Payments Basis)



Large U.S. trade deficits have benefited both developed and developing countries. The strong U.S. economic expansion during the 1980s, combined with the major growth of U.S. imports, played a major role in the recovery of the world economy from the global recession of 1982. This U.S. import growth sparked economic growth in Japan, Europe and the East-Asian NICs, which enabled the LDCs to generate trade surpluses necessary to service their debts. In effect, the United States was the economic locomotive for the global economy. The steady growth in opportunities to sell in the U.S. market has enabled other nations to develop entire industries based on their exports to this market.

About one-half of the European Community's growth in 1984 was directly due to increased exports to the United States, about one-fifth in 1985 and one-twentieth

in 1986.³ Japan was also a major beneficiary—three-fourths of total growth in 1984, almost all in 1985 and nearly one-half in 1986.

U.S. imports are also critical to a number of other countries including the Asian NICs and other less developed countries. Forty percent of South Korea's and 48 percent of Taiwan's 1986 merchandise exports went to the United States.

In short, an increasing number of foreign countries have become more and more dependent on the U.S. market—the world's largest and most open—as a major target for fulfilling export-led growth strategies.

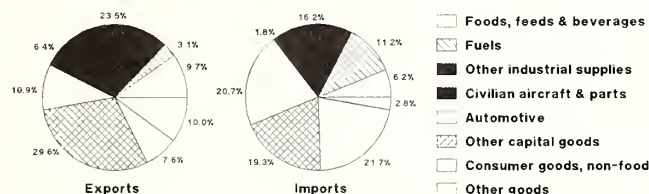
Importance of Trade to the U.S. Economy

U.S. trade is huge and diverse. In 1987 imports valued at \$424.1 billion originated in almost all foreign countries. U.S. Customs processed some 12 million import documents, with transactions recorded in over 10,000 different commodity classifications. Major import items ranged from \$49.9 billion in autos and \$30 billion in crude and refined petroleum products down to relatively small items such as \$2.9 billion of jewelry and \$2.6 billion of musical instruments.

Classified on an "end use" basis, consumer goods imports, excluding autos, were \$92.0 billion in 1987, 22 percent of the total, up from a 15 percent share in 1981. Automobiles and automotive products imports alone were another \$87.6 billion, 21 percent of the total, up from 11 percent in 1981 (Figure 1.9). Fuels, at \$47.6 billion, was 11.2 percent of total imports, down from 31 percent in 1981.

Figure 1.9

END-USE COMPOSITION OF U.S. TRADE, 1987



Goods exports of \$252.9 billion were recorded in 4,500 different classifications in 1987. (To match tariff schedules, import classifications are more narrowly defined and more numerous than export classifications.) Items exported included not only large manufactures shipments—\$17.2 billion of aircraft and parts, and \$9.3 billion of office machinery and computers—but also smaller shipments and non-manufactures such as \$2.0 billion of heating and air conditioning equipment and \$1.8 billion of fruits and nuts.

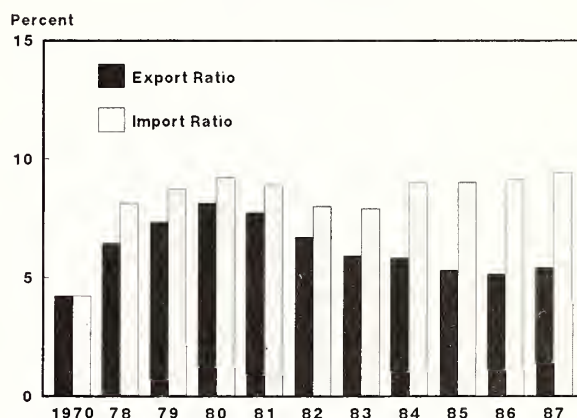
³ The total stimulus to the foreign economy from increased exports to the United States from one year to the next includes both the direct contribution of export growth to the foreign country's GNP growth and the substantial multiplier effect of that growth over the 1983-86 period. The 1986 contribution does not include the whole multiplier effect produced by the 1984-85 change as that will continue beyond 1986.

On an end-use basis, consumer goods, except autos, were only 8 percent of U.S. exports (Figure 1.9). U.S. exports on this basis are dominated by capital goods, including aircraft and parts, (30 percent of total) and industrial supplies and materials (24 percent).

Relative to GNP, U.S. goods exports and imports have fluctuated over recent years, reflecting changes in the mix of factors affecting domestic production, import levels, and export performance. Stagnant exports from 1982 to 1986 reduced the export portion of GNP. Exports in 1987 rose above their 1981 peak value and increased their share of GNP to 5.4 percent, but still well below their 1981 share of 7.7 percent. (Figure 1.10).

Figure 1.10

U.S. RATIOS OF MERCHANDISE EXPORTS & IMPORTS TO GNP 1970 & 1978-87



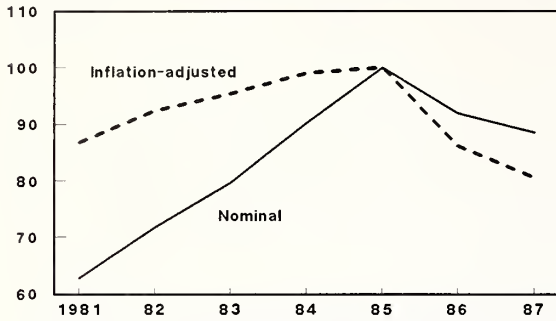
Imports continued to grow relative to GNP, reaching 9.4 percent in 1987, compared to 9.0 percent in 1985 and 9.2 percent in 1980, the prior peak year (Figure 1.10). Imports in 1980, however, included \$77 billion of crude and refined petroleum—30.4 percent of total imports that year. Petroleum imports were far lower in 1987—\$44 billion and 10.2 percent. Manufactures imports in 1987 were \$337.7 billion, 79.6 percent of the total and a new high, compared to \$139 billion and 54.9 percent of total imports in 1980.

The dollar exchange rate also continued declining in 1987. The decline, however, was not uniform against all foreign currencies. The decline on a trade-weighted basis vis-a-vis the currencies of the developed countries: Canada, Japan, West Germany, and seven other European countries (France, the United Kingdom, Italy, the Netherlands, Belgium, Sweden, and Switzerland) averaged 36 percent lower in 1987 than in 1985 (Figure 1.11). By contrast, the dollar fell between 1985 and 1987 by only 3 percent against the Canadian dollar and by only 10 percent, on a trade-weighted basis, against the currencies of four East Asian newly industrialized countries—Taiwan, South Korea, Singapore, and Hong Kong.

Figure 1.11

U.S. NOMINAL AND INFLATION-ADJUSTED DOLLAR EXCHANGE RATES, 1981-87*

(1985=100)



* Based on currencies of 10 major developed countries, Mexico, Brazil, and East Asian NICs, and adjusted for changes in wholesale prices.

The real (inflation-adjusted) U.S. exchange rate computed on a balance-of-payments basis declined by 20 percent against the average for all 16 countries. These countries accounted for about 80 percent of U.S. trade in 1987.

The real (inflation-adjusted) U.S. exchange rate depreciation against currencies of our 10 major developed-country trading partners was not as great as in nominal terms between 1985 and 1987—24 percent. Similarly, real depreciation against the currencies of the four NICs was only 7 percent.

This decline in the dollar exchange rate should improve the U.S. trade balance by making imports more costly to U.S. buyers, and by reducing the volume of imports and increasing the volume of U.S. exports, which become less costly to foreign buyers. Moreover, these responses to exchange rate changes do not occur immediately. The initial effect of a currency depreciation is to worsen the trade balance, because there is a lag between the increase in import prices and reductions in import quantities. A similar lag exists for exports. It takes time for importers to switch to other suppliers or to reduce quantities. Similarly, exporters need time to develop new distribution networks and to gain a firm hold in foreign markets. Furthermore, institutional and individual buying preferences may act as countervailing forces to trade flow adjustments. During this period, imports and exports continued at quantities similar to the period prior to the currency devaluation, but dollar import prices were higher, thus increasing the U.S. trade deficit.

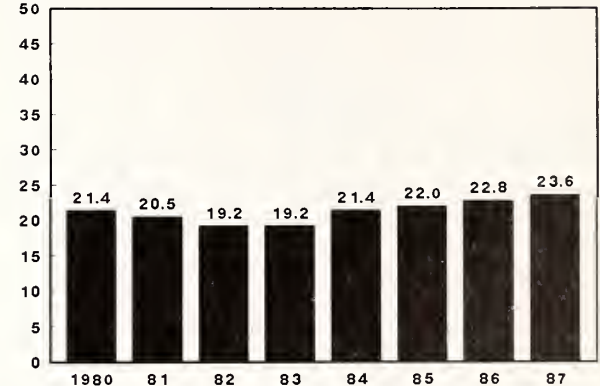
The manufactures trade balance has deteriorated \$153 billion from the \$16 billion surplus in 1981 to the 1987 record deficit of \$137 billion. This surge of manufactures imports was a critical factor in raising the ratio of merchandise imports to total U.S. goods production delivered to final demand to a new high in 1987 of about 24 percent, up from 21 percent in 1980 and 22 percent in 1985 (Figure 1.12).

There have been significant recent improvements in U.S. total merchandise trade, however, when measured in volume terms. Measurement in real terms is more useful for showing the effects of the trade balance on domestic production and employment than the trade balance in current dollar terms. From third quarter 1986 peak to

Figure 1.12

U.S. RATIOS OF MERCHANDISE IMPORTS TO GOODS PRODUCTION, 1980-87

Percent

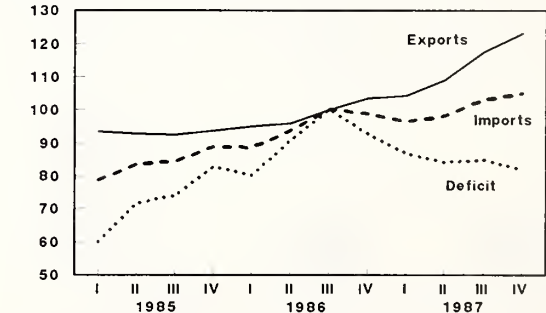


fourth quarter 1987, the trade balance improved in real terms by 14 percent. Exports increased by 20 percent during this time while imports rose by only 6 percent. This means that, instead of providing a drag on U.S. economic growth, U.S. trade in real terms during this period switched to a positive force on U.S. economic growth (Figure 1.13).

Figure 1.13

U.S. REAL* MERCHANDISE TRADE, QUARTERLY, 1985-87 (Balance-of-Payments Basis)

(1986:III=100)



* Trade-price deflated.

The earlier increases in manufactures imports relative to GNP and total goods production are significant because manufactured goods imports are highly visible and, unlike petroleum products and some other raw materials, manufactures imports are often seen as competing with, rather than aiding, U.S. production. Although there are no U.S. producers of a number of imported items, an estimated 70 percent of U.S. manufactured goods face foreign competition.

Foreign competition thus spurs U.S. producers to increased efficiency and speeds the pace of adaptation and structural change. Foreign goods available to U.S. consumers kept pressure on domestic producers of import-competing products to increase productivity, reduce costs, and maintain competitive prices. Imports stiffened resistance to inflationary wage and price increases, motivated cost-cutting measures in U.S. industry, and quickened the pace of adaptation and structural change within the domestic economy.

The United States continued to have the world's

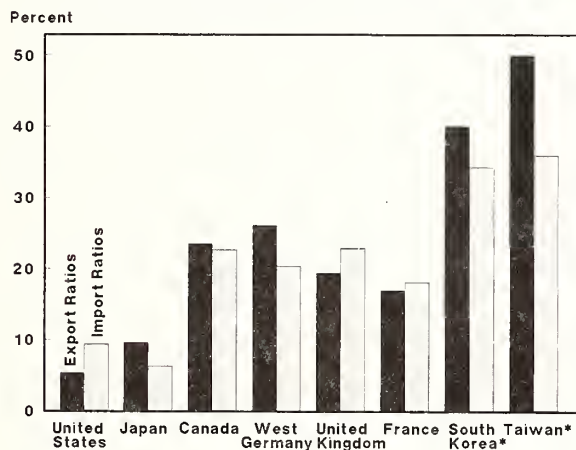
most vibrant economy, characterized by a very high degree of flexibility and responsiveness to change. These factors, which will aid future competitiveness, helped to create 12 million new jobs over the 1981-87 period. The latest available data show that our major trading partners had less impressive job-creation records despite their trade surpluses. Between 1981 and 1986, while the United States created 9.3 million jobs, Japan created 2.7 million jobs and the United Kingdom created 1.6 million, while France actually lost 0.2 million jobs, and West Germany lost 0.3 million jobs.

Foreign competition, however, is only one factor producing structural changes in U.S. industry. Changes also result from new technologies, productivity growth, shifts in consumer preferences, and other factors. Nevertheless, rising manufactures imports relative to the size of the U.S. economy are evidence of an increased U.S. exposure to global competition and an increasing integration of the U.S. and world economies.

Notwithstanding the increasing effects of international trade on the United States, merchandise trade accounts for a much smaller portion of U.S. GNP than is the case for many other industrialized and developing countries (Figure 1.14). Thus, the U.S. economy remains relatively less affected by fluctuations in international trade levels and balances than most other economies.

Figure 1.14

NATIONAL RATIOS OF MERCHANDISE EXPORTS & IMPORTS TO GNP IN 1987



* Estimated

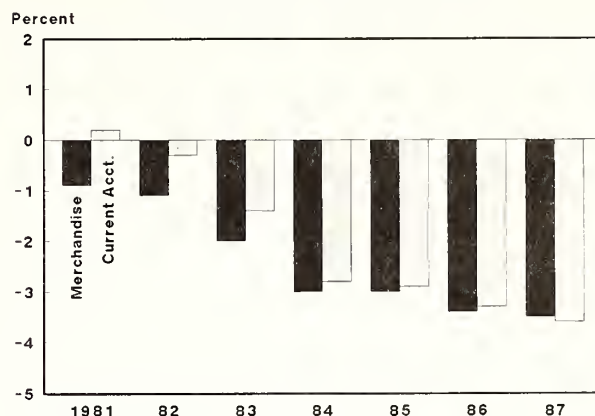
Effects of U.S. Trade Deficits

Changing global trade flows and current account balances among nations are a normal condition and reflect changing international economic and political conditions, different saving and investment rates and national economic growth rates, new technologies, and changing national production capabilities. These changing trade flows produce deficits for some countries and offsetting surpluses for others.

While trade and current account deficits are not unusual, U.S. deficits have grown very rapidly in recent years and have become the largest ever recorded by any country. Rapid growth began in 1983, with the merchandise trade deficit expanding to 3.0 percent of GNP in 1984 (balance-of-payments basis), and reaching 3.5 percent in 1987 (Figure 1.15).

Figure 1.15

RATIOS OF U.S. MERCHANDISE & CURRENT ACCOUNT BALANCES TO GNP, 1981-87 (Balance-of-Payments Basis)

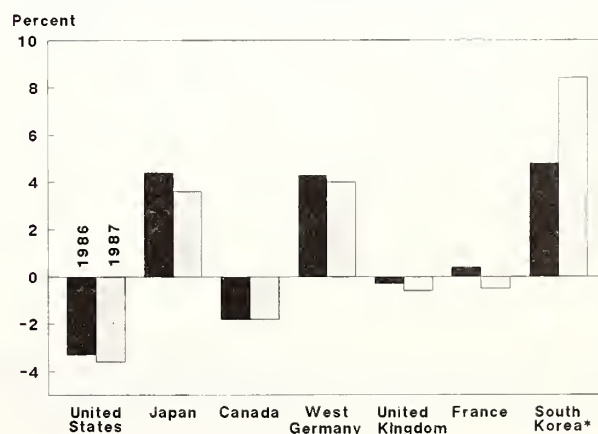


Because the current account is a measure of the balance of all of a nation's international transactions—goods and services trade, international investment payments and receipts, and unilateral transfers—it is an even more significant indicator than the merchandise trade balance. In fact, the current account balance is a measure of a nation's production relative to its consumption and how much it borrowed from (or loaned to) other nations during a given year. Recent current account deficits indicate that the United States is consuming more goods and services than it is producing. The gap is filled by net imports financed through borrowing from abroad.

The U.S. current account deficit was equivalent to 2.8 percent of GNP in 1984, and reached 3.6 percent in 1987. In 1986 the United States became the world's largest borrower, with current account deficits reaching \$141.4 billion in 1986 and \$160.7 billion in 1987. Japan and West Germany were among the largest net international lenders. Japan's 1987 current account surplus was \$87 billion (4.5 percent of GNP); West Germany's \$59 billion (5.8 percent of GNP). Taiwan's 1987 current account surplus (\$18 billion) was smaller in dollar terms, but represented a whopping 23 percent of GNP (Figure 1.16).

Figure 1.16

RATIOS OF CURRENT ACCOUNT BALANCES TO GNP OF SELECTED COUNTRIES, 1986 & 1987

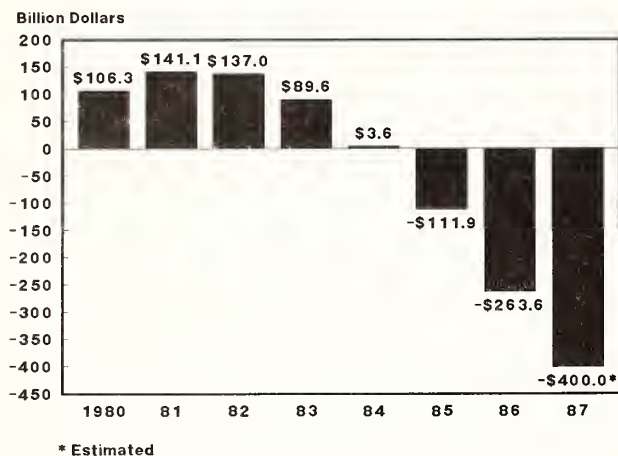


Effects of U.S. Borrowing From Abroad

The continuing large U.S. trade and current account deficits and the matching capital inflows have rapidly transformed the United States from having in 1982 the world's largest positive international investment position to having at year-end 1987 the world's largest net negative international investor position (Figure 1.17).⁴

Figure 1.17

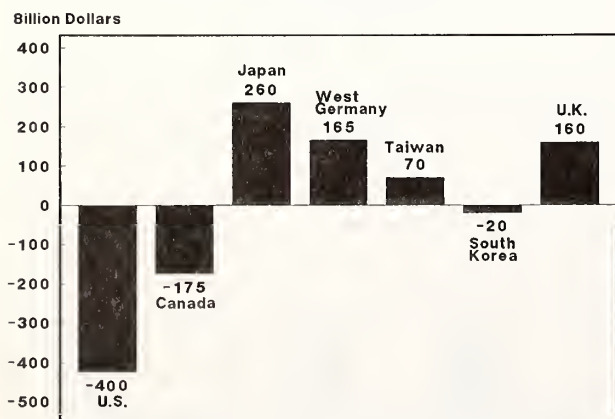
U.S. INTERNATIONAL INVESTMENT POSITION, 1980-87



The rapid deterioration in trade and current account balances that began in 1983 produced a swing in U.S. international investment of \$539 billion in 6 years, bringing the United States to a net negative international investor status of \$402 billion by year-end 1987. The counterparts to the rapid movement of the United States into a negative international investment position are dramatic increases in the creditor positions of other countries, particularly Japan, (now the world's largest

Figure 1.18

YEAR-END 1987 INTERNATIONAL INVESTMENT POSITION (ESTIMATED)



creditor nation), West Germany, the United Kingdom, and Taiwan (Figure 1.18).

The new negative international investor position of the United States needs to be seen in perspective. The year-end 1987 negative position was equivalent to 9.0 percent of GNP, while Brazil's debt to foreign banks of about \$115 billion is over 40 percent of Brazilian GNP.

Moreover, the negative U.S. international investor position at year-end 1987 of about \$400 billion actually significantly undervalues various U.S. assets. These undervaluations include U.S. direct investments abroad, carried at their accounting book value in international investor position data. In fact, however, many of these investments were made many years ago and their real value and earning power is significantly understated by accounting book values. The significant undervaluation of U.S. assets is evidenced by the fact that, despite a negative 1987 international investor position, U.S. international investment income actually exceeded U.S. international investment payments by \$14 billion in 1987.

Notwithstanding the undervaluation of U.S. international investments, clearly the trend towards an enlarging net negative international investor position is worrisome. Ultimately, the negative position may grow to the point where international investment payments exceed international investment income. Very large continued growth in the indicated negative international investor position would, however, be required to bring net international investment payments to even one-half percent of GNP.

The most critical factor is whether the borrowing from abroad represented by an enlarging negative international investor position is utilized to enhance productive capacity. To the extent that the borrowings are utilized to enhance productive capacity by investments in areas that increase the international competitiveness of U.S. goods and services that move in international trade, then additional new productive capacity may be created that cannot only take care of debt-servicing requirements, but will add to production left for increased domestic consumption. To the extent that, however, net borrowings are mainly devoted to consumption, the long-term effects on capacity and competitiveness may not take care of both debt servicing and provide for increased domestic consumption.

Dramatic, very wide swings in net trade flows and the resulting effects on international debtor-creditor positions are recent phenomena that present the world economy with difficult problems. One problem lies in the distribution of available global savings. Advanced industrial countries such as the United States have traditionally been, in the main, capital exporters, normally experiencing current account deficits for relatively short periods and in amounts that did not have major effects on world capital flows. But in recent years, the very large net inflows of capital into the United States manifested in large U.S. trade and current account deficits may have significantly reduced the supply of capital to other countries and increased its cost for them. One possible result of the U.S. transition from net lender to net borrower is, therefore, reduced investment and internally generated growth in those

⁴ The net U.S. international investment position is the value of foreign assets owned by U.S. citizens less the value of U.S. assets owned by foreign citizens and is frequently referred to as the "creditor" (positive) or "debtor" (negative) position.

countries exporting capital to the United States and a diminished supply of capital available to other potential borrowers, including LDCs.

A Long-Term Outlook

The most important problem facing the international economy may well be that current trends cannot be sustained indefinitely and that a return to narrower global imbalances will require adjustments that will be difficult for the United States, but may be even more difficult for its trading partners.

An orderly adjustment of the recent large trade and capital flow imbalances can occur only gradually if U.S. and world economic growth is to be maintained. This implies a gradual diminishing of U.S. deficits and some continued growth of the U.S. debtor position. But adjustments that eliminate or significantly narrow U.S. current account deficits and debt growth must ultimately occur.

The major adjustments in capital flows and in the current account that will occur will be reflected primarily in changes in the merchandise trade balances—particularly, the manufactures trade accounts—of the United States and trading partners that have very large current account surpluses. These changes will affect exporting and import-competing industries in the United States and abroad, forcing significant industrial change and restructuring that may increase pressures—both in the United States and abroad—for trade-restricting actions.

The key question is how these adjustments will occur. One possibility is a reduction of U.S. demand for imports due to a contraction of the U.S. economy. A slackening of demand caused by a U.S. recession might produce quick results, but is clearly not desirable.

A preferred way of accomplishing the required trade shifts is through a gradual reduction of U.S. needs for imported capital—through reduced federal budget deficits and/or increased saving relative to consumption. This course of action would narrow and ultimately

eliminate the gap between U.S. saving and the combination of private-sector investment and the government deficit. Eliminating this gap would allow the United States to satisfy its investment needs without a net inflow of imported capital and goods.

Together with other measures aimed at improving the international competitiveness of U.S. firms—such as improved education and worker training, better development and implementation of process technologies, higher quality and productivity levels, better marketing—these steps will allow U.S. producers to regain traditional U.S. and foreign markets without undue pressure on U.S. dollar exchange rates.

Foreign economies will also face significant adjustments as a result of their declining surpluses with the United States. Those foreign economies that have become reliant on ever-enlarging export surpluses as a source of their economic growth will have to rely more on increased domestic demand as the source of future growth. The necessary structural changes will take time to implement if strong economic growth is to be maintained.

Indeed, the scenario for both U.S. and foreign adjustments implies that imbalances will narrow only gradually if strong U.S. and global economic growth is to be maintained, as many of the remedial factors will require time to produce results. A gradual narrowing of the trade balance, however, may raise sentiments in the United States for “quick fixes”; while at the same time, shrinking foreign surpluses will put pressures on export industries in some countries that may generate sentiment for foreign trade-restricting actions.

It is, therefore, important to recognize that significant changes in international trade flows—while maintaining favorable U.S. and foreign economic growth rates—may require a long-term strategy and the understanding and patience to avoid actions that seem to promise quick results but, in fact, only worsen problems in the longer term.

2

U.S. TRADE PERFORMANCE IN 1987

Composition of U.S. International Transactions

Trade in various kinds of goods is only one aspect of U.S. international transactions. To better understand the effects of U.S. exchanges with the rest of the world and the relative importance of different kinds of trade, it is useful to begin the analysis with an examination of trade performance as reflected by the current account—the annual accounting summary of exports and imports of all U.S. goods, services, and other transactions with the rest of the world.

The U.S. current account—the overall accounting of international transactions—registered relatively small imbalances (some small surpluses, some small deficits) over the 1970-82 period (Figure 2.1). A modest 1981 surplus (\$6.9 billion) was followed by a small deficit (\$8.7 billion) in 1982. In 1983, however, the deficit

widened and continued to grow in succeeding years, reaching \$141 billion in 1986 and \$161 billion in 1987.

Recent current account deficits have also grown relative to the size of the U.S. economy as measured by GNP. The 1986 and 1987 current account deficits—the balance on all goods and services transactions with the rest of the world—were over 3 percent of GNP; the 1987 deficit reached 3.6 percent of GNP (Figure 2.2).

Figure 2.1

U.S. CURRENT ACCOUNT BALANCES, 1970 - 1987

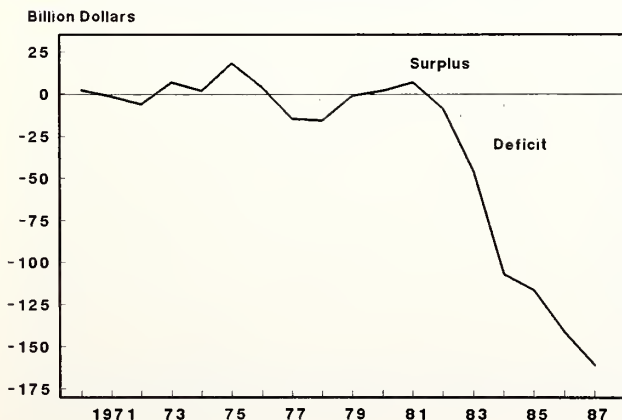
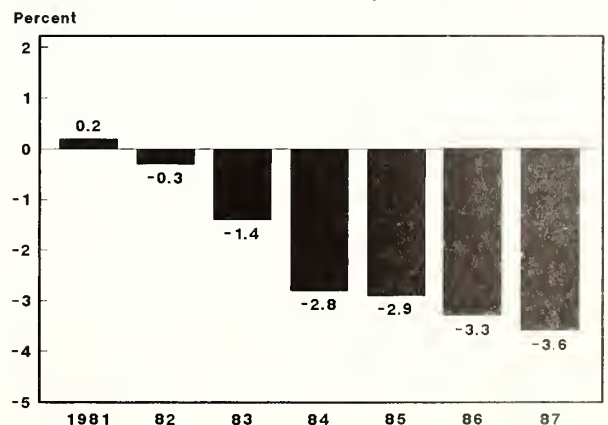


Figure 2.2

RATIO OF U.S. CURRENT ACCOUNT BALANCES TO GNP, 1981-87



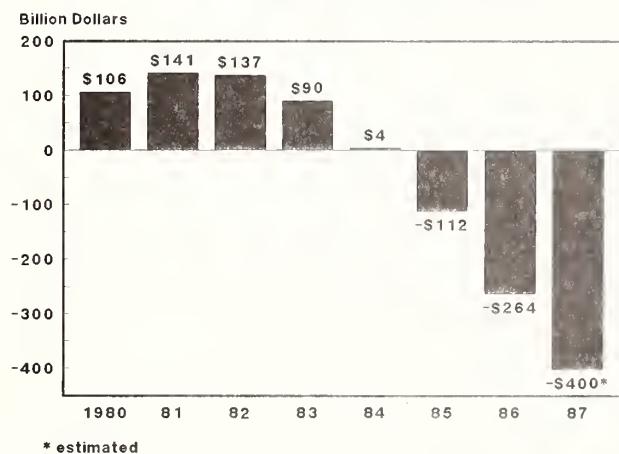
Among other indicators, the current account balance is a measure of a nation's total consumption versus its total national production in a given year. A current account surplus means a nation is producing more than it is consuming, exporting the difference, and *lending* abroad. A current account deficit means a nation is

producing less than it is consuming, importing the difference, and *borrowing* abroad. In essence, the 1986-87 current account deficits indicate that each year of that period the United States consumed over 3 percent more in goods and services than it actually produced, with net imports and net borrowing from abroad making up the difference.

The cumulative effects of annual borrowing or lending reflected in current account imbalances determine changes in a country's international investor creditor or debtor position. The U.S. international investor position is the net balance of foreign-owned U.S. assets and U.S.-owned foreign assets at a given point in time. The recent large U.S. current account deficits have moved the United States from a peak 1981 creditor position to year-end 1987 negative international investment position of about \$400 billion (Figure 2.3).

Figure 2.3

U.S. INTERNATIONAL INVESTMENT POSITION, 1980-87



A dissection of the current account can show where the recent deterioration in performance occurred and can provide insights about potential sources of future improvements.

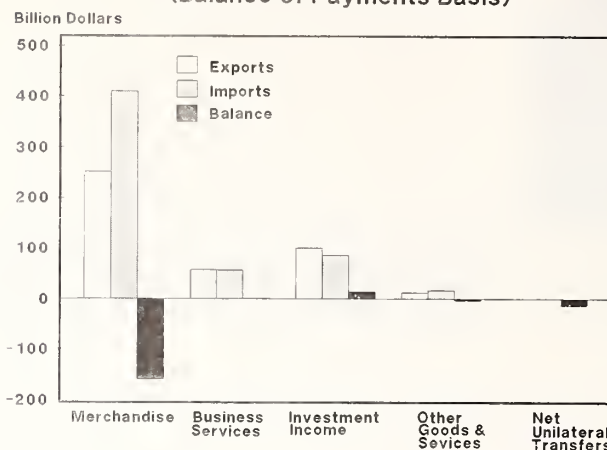
The current account classifies international transactions into categories that can be grouped in five broad classes: merchandise trade, business services trade, international investment income receipts and payments, "other" goods and services transactions, and net unilateral transfers.

In 1987 merchandise trade accounted for two-thirds of the amount of current account transactions, while investment income accounted for one-fifth and business services for one-seventh. This is a normal distribution of U.S. international transactions between merchandise trade and other transactions.

The size and trends in U.S. current account balances are very much dominated by merchandise trade performance (Figure 2.4). The U.S. merchandise trade deficit in 1987—\$159 billion (balance-of-payments basis)—was far larger than the surpluses on business services and international investment income.

Figure 2.4

U.S. CURRENT ACCOUNT COMPONENTS, 1987 (Balance of Payments Basis)



The balance on U.S. trade in business services peaked at \$10.1 billion in 1981, but declined rapidly to a small negative balance in 1985 before recovering to a \$0.9 billion surplus in 1987. Looking to the future, the composition and character of business services trade probably precludes a major increase in its importance relative to merchandise trade and very large changes from recent balances seem unlikely in the near future. (See Chapter 5 for further analysis of business services trade.)

Neither does international investment income appear to be a source of large surpluses in the future. The U.S. balance on international investment income and payments flows has been positive for many years, reflecting the earlier large U.S. net international creditor position; that is, the stock of U.S. investments abroad until recently was far larger than the stock of U.S. assets held by foreigners.

But the U.S. movement from the position of world's largest creditor to a negative international investor position has reduced U.S. net investment income inflows. The \$14 billion 1987 surplus was down from a 1981 peak of \$34 billion. If enlargement of the U.S. debtor position continues, the positive net investment income position may shift to a negative position sometime in the next few years. (Chapter 6 discusses the role of the net income/payments position and international debt.)

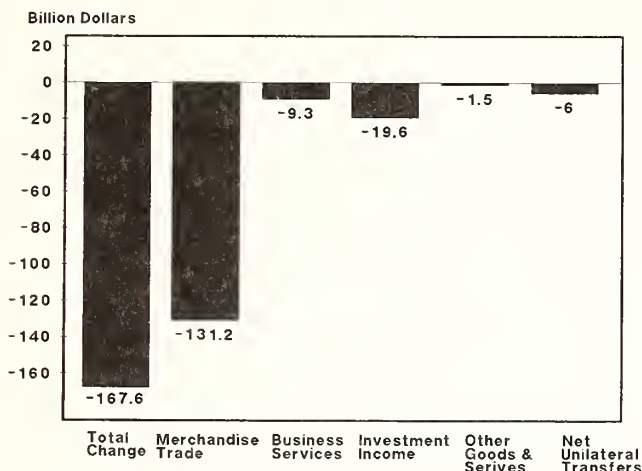
Nor do other elements of the current account offer good prospects for improved performance and large surpluses. The U.S. balance on "other" goods and services transactions has been slightly negative for the last 9 years, totaling -\$3.4 billion in 1987. Unilateral transfers—payments with no corresponding flow of goods or services—include continuing U.S. Government transfers abroad for foreign aid, support payments for U.S. military bases, and pensions and other gifts and payments to individuals living abroad. Unilateral transfers was a \$13.5 billion net outflow in 1987. This net negative balance will likely continue to enlarge gradually.

In the 6 years following the last surplus in 1981, the U.S. current account balance deteriorated by \$168 billion. Four-fifths of the total (-\$131 billion) deterioration occurred in the merchandise trade account

(Figure 2.5). Looking to the years just ahead, the "other goods and services" component of the current account will likely continue to accrue small deficits. Unilateral transfers also seem likely to remain enlarged somewhat, reflecting in part continued grant aid and U.S. citizens retiring in foreign countries.

Figure 2.5

CHANGES IN U.S. CURRENT ACCOUNT BALANCES 1981 - 1987



Summarizing the outlook then, business services surpluses are not a potential source of improvement, and are not large enough to produce the very large surpluses required to offset continuing large merchandise trade deficits. Moreover, continued deterioration in the international investment income, other services, and unilateral transfers accounts seem likely.

A review of the various components of the current account thus reveals not only that merchandise trade has been the dominant source of the deterioration that has occurred in recent years, but a turnaround in current account performance also must come dominantly from merchandise trade. Indeed, if the U.S. international debtor position continues to grow to a point where large debt servicing payments are required, merchandise trade surpluses will be required to achieve current account balance.

U.S. Merchandise Trade Performance

Since current account performance improvement must come primarily in the merchandise trade sector, an examination of merchandise trade performance can identify where changes have occurred and potential areas for improvement.

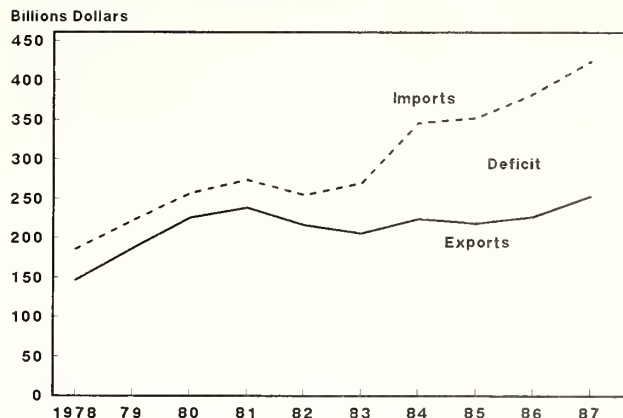
U.S. merchandise trade has been in deficit since 1976.⁵ Deficits remained relatively small for several years, but the deficit doubled in 1983, reached \$122 billion in 1984, increased to \$171 billion in 1987 (Figure 2.6).

Explosive deficit growth was the result of very strong import growth, concurrent with export stagnation. Imports increased rapidly, but lagging exports have

⁵ Hereafter, unless otherwise noted, merchandise trade data cited are on the Census measurement f.a.s./c.i.f. basis: domestic and foreign exports, free along side (f.a.s.), and general imports, cost, insurance and freight (c.i.f.).

Figure 2.6

U.S. MERCHANDISE EXPORT, IMPORTS AND DEFICIT, 1978-87



also been a major factor. However, in 1987 exports surged upward by 11.5 percent to \$252 billion after only a 3.7 percent 1986 rise, and finally exceeded their 1981 prior peak. Imports, however, hit new highs, reaching \$424 billion in 1987, over 55 percent greater than in 1981. Imports in 1987 were 68 percent greater than exports.

Moreover, for a period of several years ending in 1981, much of U.S. import growth was due to rapidly enlarging oil imports required to supplement diminishing U.S. supplies. But beginning in 1982, import growth has been primarily in manufactured goods competing against U.S. suppliers.

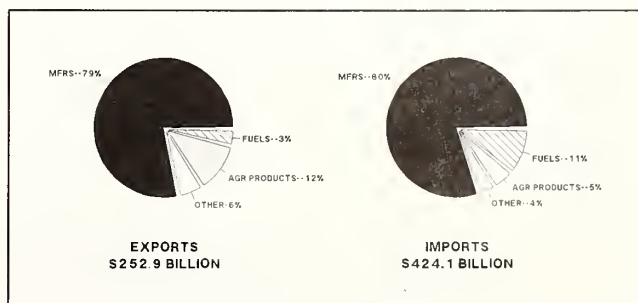
Composition of U.S. Merchandise Trade

A dissection of U.S. merchandise trade can provide insights about both past performance and likely future trends. A broad categorization of merchandise trade into principal product groups shows the dominant role of manufactures, both in terms of total trade and the deterioration in the balance over the 1981-87 period.

U.S. merchandise trade can be classified into four major categories: manufactures, mineral fuels, agricultural products, and other goods. Manufactured goods account for about four-fifths of 1987 U.S. exports and imports (Figure 2.7). Agricultural products represented 12 percent of U.S. exports, and fuels imports—largely petroleum—accounted for 12 percent of U.S. imports.

Figure 2.7

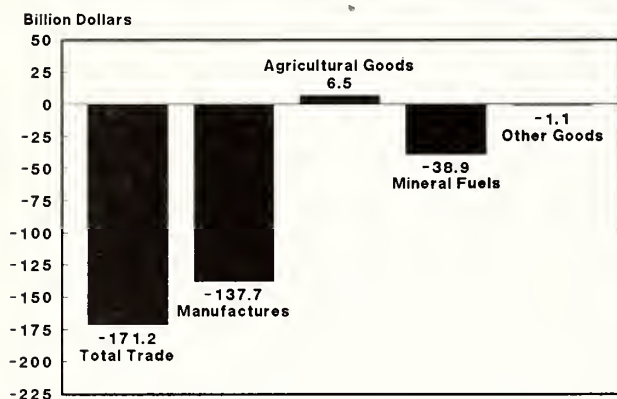
COMPOSITION OF U.S. MERCHANDISE TRADE, 1987



Moreover, recent U.S. merchandise trade deficits have resulted largely from deficits in manufactures trade (Figure 2.8). The 1987 merchandise trade deficit was \$171 billion, with \$138 billion—over 80 percent of the total—from manufactures trade. Trade in fuels is the other major deficit item; almost \$39 billion in 1987. The 1987 agricultural surplus was \$6.5 billion, significantly lower than the \$25 billion surplus of 1981.

Figure 2.8

U.S. MERCHANDISE TRADE BALANCES, 1987



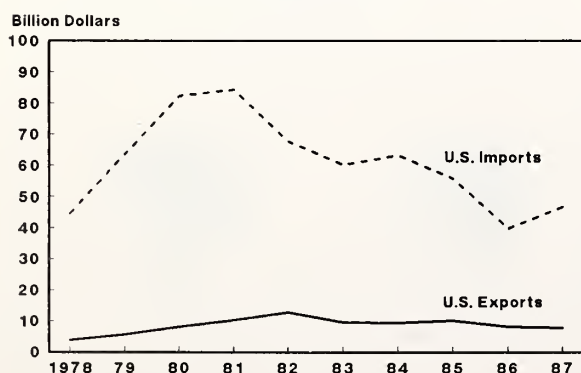
A more detailed look at performance in each of these major categories over recent years can spotlight past movements and help identify likely future trends.

Mineral Fuels

The United States has incurred very large mineral fuels deficits in recent years. Imports—mostly oil and some natural gas—have far outweighed relatively modest exports—mostly coal (Figure 2.9). Mineral fuels import costs peaked in 1981 at \$84 billion, leaving the United States with a \$74 billion mineral fuels deficit that year. Beginning in 1982, oil prices trended downward, substantially reducing the total cost of mineral fuels imports. By 1987 fuel imports were down to \$47 billion and the deficit down to \$39 billion, cutting the mineral fuels deficit by nearly one-half—\$35 billion—in 6 years. However, the 1987 fuel deficit was larger than the \$40 billion deficit in 1986.

Figure 2.9

U.S. MINERAL FUELS TRADE 1978 - 1987



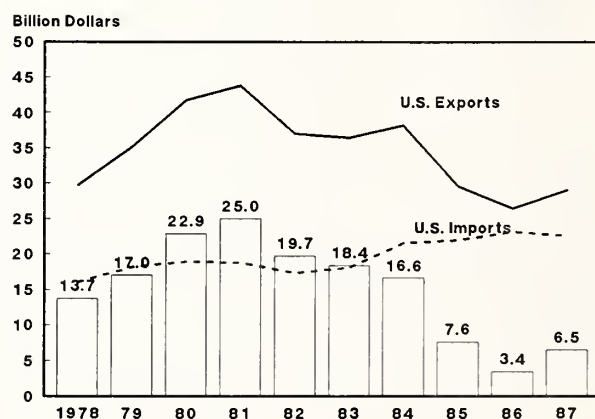
Current oil price trends suggest that the gains of the last few years in the U.S. oil deficit have at least temporarily ended, with spot prices and import volumes both rising. Thus, further improvement in the fuels deficit is not a likely source of shrinkage in the merchandise trade deficit in the next several years. In any case, U.S. oil imports and deficits in the mineral fuels account will continue to be large.

Agricultural Trade

U.S. trade in agricultural commodities and products provided substantial trade surpluses in earlier years. But more recently, the surpluses have been much lower. The U.S. agricultural trade surplus fell from a \$25 billion peak in 1981 to only \$3.4 billion in 1986, reflecting decreases in both export prices and volumes, but recovered to \$6.5 billion in 1987 (Figure 2.10).

Figure 2.10

U.S. AGRICULTURAL GOODS TRADE 1978 - 1987



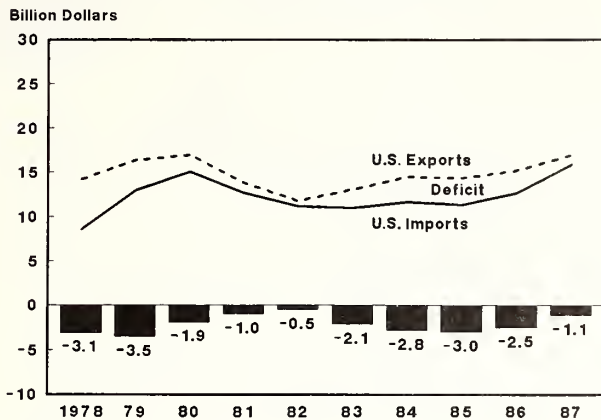
An early return to the large U.S. agricultural surpluses of prior years seems unlikely. In recent years global food supplies have been growing considerably faster than global demand. The "green revolution" that has rapidly expanded global supplies resulted from several factors, including better agricultural technology and better infrastructure to support food production and distribution, especially in the developing countries. The increased use of market price incentives in developing and centrally planned economies and increased production subsidies by some producers, including the European Community, have also been important factors in the rapid expansion of global food supplies. Given the fundamental change in the supply-demand equation, a major resurgence in U.S. agricultural trade surpluses in the next several years will be very difficult to achieve.

Other Non-manufactured Goods Trade

"Other goods" is a relatively small component of U.S. merchandise trade that includes paper pulp, wood, hides and skins, beverages, and metal ores. In 1987 these other goods accounted for only 5.6 percent of U.S. exports and 4.0 percent of imports. Balances in this account fluctuate in a narrow band. As in most recent years, in 1987 this category again produced a

small deficit—\$1.1 billion (Figure 2.11). Major changes in exports, imports and balances seem unlikely in the foreseeable future.

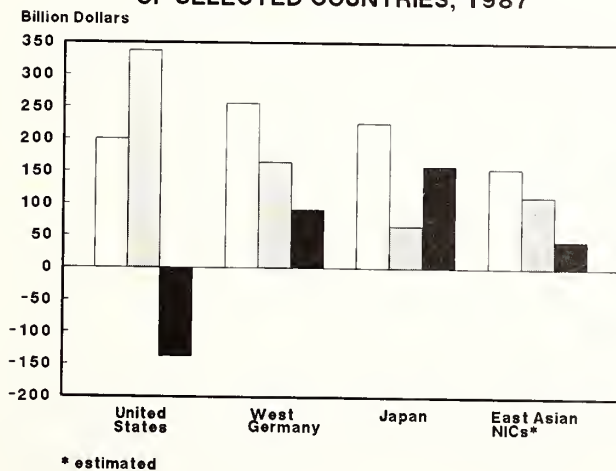
Figure 2.11
U.S. "ALL OTHER" GOODS TRADE
1978 - 1987



Manufactures Trade

U.S. manufactures trade is huge and growing. Rapid changes in manufactures are occurring in product composition, import sources, export destinations, and bilateral balances. The United States was the third largest exporter of manufactured goods in 1987, with West Germany the leader and Japan second (Figure 2.12). The United States does, however, remain the world's largest manufactured goods trader, given its huge amount of imports—\$338 billion in 1987.

Figure 2.12
MANUFACTURES TRADE
OF SELECTED COUNTRIES, 1987

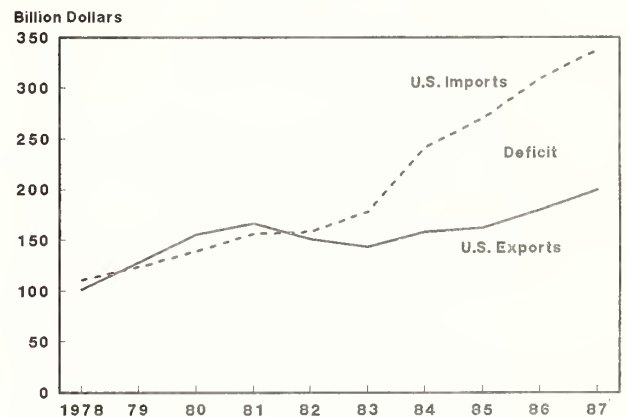


The United States continues to import far more manufactures than other countries. In 1987 West Germany ranked second, but at a level one-half that of the United States. Japan imported much less than West Germany and only 18 percent that by the United States. Japan also, on a per capita basis, appears to be the smallest manufactures importer among the developed countries.

Not only are U.S. manufactures imports huge compared to other nations, they also dwarf U.S. exports. In 1986 U.S. manufactures imports were two-thirds larger than exports. Because U.S. manufactures imports are so much larger than manufactures exports, exports must now rise about 1.6 times as fast as imports to keep the manufactures trade deficit from enlarging further. In 1987 U.S. manufactures exports were \$200 billion, 79 percent of total U.S. goods exports; manufactures imports reached \$338 billion, 80 percent of total goods imports.

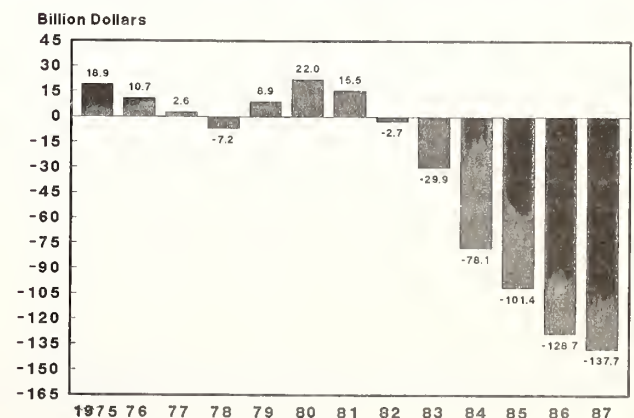
Manufactures exports peaked in 1981, then declined sharply in 1982 and 1983. Gradually recovering in 1984 and 1985, manufactures exports finally in 1986 topped the prior 1981 peak, and in 1987 exceeded that peak by 16 percent (Figure 2.13). Manufactures imports, however, have increased without interruption for many years and by 1987 were 113 percent above their 1981 level.

Figure 2.13
U.S. MANUFACTURES TRADE
1978 - 1987



The sharply divergent trends in U.S. manufactures exports and imports since 1981 produced a rapidly growing manufactures trade deficit. From a modest \$16 billion manufactures trade surplus in 1981, the balance rapidly shifted in only 6 years to a very large 1987 deficit of \$138 billion (Figure 2.14), a swing of \$154 billion.

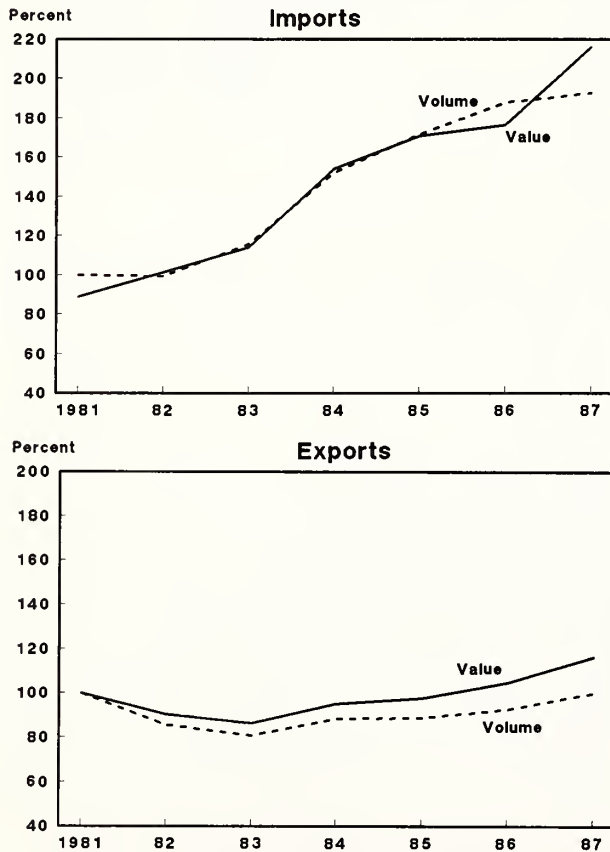
Figure 2.14
U.S. MANUFACTURES TRADE BALANCES,
1975 - 1987



The total 1981-87 slippage in the U.S. manufactures balance was even greater in volume terms. In 1987 the volume of manufactures exports was 2 percent below the 1981 level, while import volume was 91 percent higher (Figure 2.15). Recently, however, the deficit in volume terms has been improving. Import volume growth has been slowing since 1984, declining to 2 percent in 1987. Moreover, for the first time this decade, import prices in 1987 rose much more than volume. Export volume, meanwhile, surged upward by 12 percent in 1987, rising for the first time above its 1981 level.

Figure 2.15

**U.S. MANUFACTURES TRADE VALUE AND VOLUME,
1981 - 1987
(Index 1981=100)**

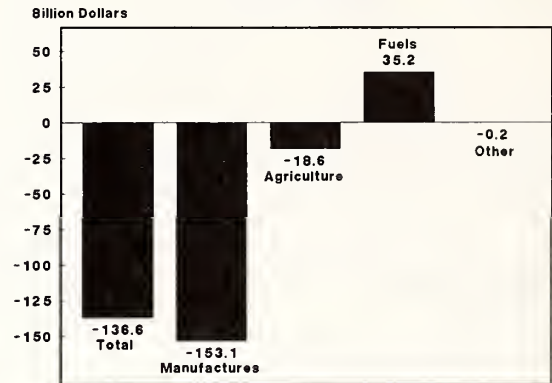


An overview of merchandise trade performance shows that the \$153 billion slippage in the manufactures trade balance since 1981 was greater than the \$136 billion deterioration in total merchandise trade (Figure 2.16). The \$18 billion drop in the agricultural surplus since 1981 was also a negative factor in total merchandise

trade performance. But a \$35 billion smaller 1987 than 1981 fuel deficit provided an important offset against growth of the overall merchandise deficit.

Figure 2.16

**CHANGES IN U.S. MERCHANDISE TRADE BALANCES
1981 - 1987**



Comparing performance over the last 6 years with the prospects for the next several years for the various components of merchandise trade is also revealing. "Other" goods will continue to be a relatively minor factor in U.S. trade balances. Moreover, the prospects for returning to large agricultural surpluses seem bleak. Some improvements may occur, but global food supplies may well continue to grow more rapidly than demand for the foreseeable future. In addition, improvements in the oil account experienced over the 1981-86 period seem unlikely to continue. Oil import volumes and prices have begun to trend upward, indicating the oil import bill has started to grow again.

To sum up, manufactures trade has been the key to the 1981-87 deterioration of both the overall current account and the merchandise trade account. Moreover, given the lack of other sources of large improvements, manufactures trade is also the component that must improve markedly to reduce significantly existing current account and merchandise trade deficits.

The fact that U.S. current account and merchandise trade balance improvements must come primarily in manufactures trade is significant, both for the United States and its trading partners. It should be recognized that when U.S. manufactures trade deficits narrow, the large surpluses of some U.S. trading partners—built primarily on manufactures exports—inevitably must also shrink. This may cause significant structural adjustment problems for some trading partners who have come to rely on ever-expanding manufactures trade surpluses as a major source of their economic growth.

3

U. S. MANUFACTURES TRADE

Overall performance of U.S. manufactures trade was reviewed in Chapter 2. Given its critical importance in recent trade deficits and its key role in improved future performance, this chapter provides a more detailed review of U.S. manufactures trade. Such an examination can help to identify particular problem and opportunity areas.

Manufactures trade can be disaggregated in various ways. The remainder of this chapter examines performance on the following four bases, progressively moving to greater levels of disaggregation:

- 1-digit Schedule A & E product groups
- high-tech vs. non-high-tech
- "end use"
- 2-digit schedule A & E product groups

Manufactures Trade by 1-Digit Product Group

Manufactures trade is generally defined to include five broad product categories (Table 3.1). Chemicals (sec. 5) and manufactured goods classified by material (sec. 6) are sometimes combined and termed "intermediate goods" or "industrial supplies"—that is, inputs which will be further processed into other products. Machinery and transport equipment (sec. 7), miscellaneous manufactures (sec. 8), and commodities and transactions not classified elsewhere (sec. 9) are sometimes identified as "finished goods," or the final products used by producers and consumers. These are highly imperfect descriptors. For example, the machinery

Table 3.1
U.S. Manufactures Trade Balances, by Major Category, 1980-87 *
(Billions of dollars)

Description	1981	1982	1983	1984	1985	1986	1987
Intermediate goods, total	- 6.5	- 7.3	-12.6	-25.0	-28.2	-29.8	- 28.7
Chemicals	11.4	10.1	8.6	8.2	6.7	7.2	9.7
Manufactures classed by material	-17.9	-17.4	-21.2	-33.2	-34.9	-37.0	- 38.4
Finished goods, total	16.7	0.4	-22.5	-58.3	-79.4	-109.3	-108.8
Machinery & transport equipment	25.5	13.6	-4.0	-29.9	-43.9	-57.0	-69.1
Miscellaneous manufactures	- 9.9	-12.6	-17.7	-28.8	-35.4	-42.1	-47.9
Commodities & transactions not classified elsewhere	6.1	3.6	4.3	5.6	5.9	10.0	8.2

* Excludes undocumented exports to Canada, which are reported by Census in Section 9, but for which commodity composition is unavailable.

and transport equipment group includes many components and parts that will be further processed or assembled into other finished products.

Nevertheless, this breakout does provide a rough indication of some basic differences in the production technology characteristics of the two groups. The basic technologies for producing chemicals and manufactured goods classified by materials involve the transformation of raw materials into other materials usable for further manufacturing. These transformations are most frequently machine-controlled or machine-driven operations, requiring large-scale capital equipment like furnaces, pumps, mixers, presses, etc. Compared to other types of manufacturing, a relatively limited amount of labor is needed to monitor, regulate, or service the machines and to maintain adequate flows of raw materials.

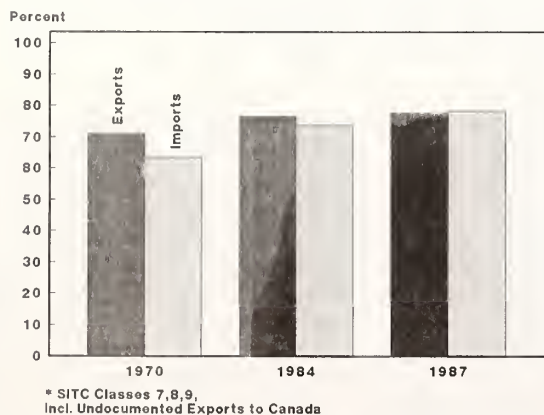
By contrast, machinery and transport equipment and miscellaneous manufactures technologies generally employ workers using specialized tools to machine and assemble parts in more complex combinations. The labor content of the assembly process also is likely to be higher than that of raw materials transformation.

Robotics may ultimately substantially reduce the amount of labor necessary in assembly operations by substituting machines which can perform tasks requiring complex, flexible movements. For the foreseeable future, however, the capital intensity of materials transformation will likely remain higher than that of assembly operations.

The data show some clear trends in the composition of U.S. manufactures trade (Figure 3.1). Finished goods are growing as a proportion of total U.S. imports. Finished goods, the sum of sections 7, 8 and 9, increased from 64 percent of total manufactures imports in 1970 to 74 percent of the total in 1984 and 78 percent in 1987. The composition of U.S. exports based on this intermediate good-finished good categorization has not changed so markedly as for imports. Excluding undocumented exports to Canada, (for which commodity composition is unavailable) the finished goods share of manufactures exports rose from 71 percent in 1970 to 76 and 78 percent respectively in 1984 and 1987.

Figure 3.1

FINISHED GOODS SHARES* OF U.S. MANUFACTURES TRADE, 1970, 1984 AND 1987



Finished goods trade may continue to become a larger portion of total U.S. manufactures trade as inter-

nationalization of the manufacturing process increases, and as the production of components to be included in large assemblies becomes more and more specialized and geographically dispersed. For example, a given component—considered in this categorization as a “finished goods”—can readily appear three times in U.S. trade data: first, as an export when sent out of the country for further assembly into a larger component; second, as an import included in the larger component produced by foreign assembly operations; and third, as an export when included in a finished product for sale abroad.

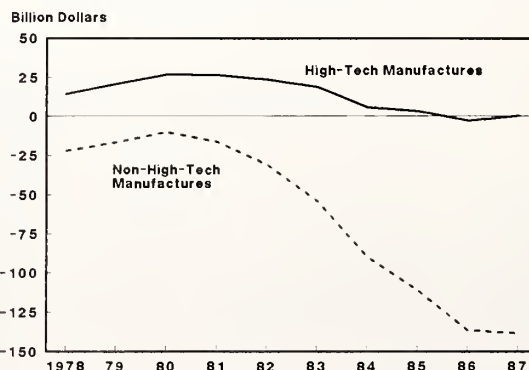
High-Tech Versus Non-High Tech Trade

The various manufactures items included in sections 5 thru 9 can also be split into “high-tech” and “non-high-tech” categories. High-tech items are defined as those goods embodying the highest technology intensity in terms of average U.S. R&D expenditures per unit of output. Given this definition, the remainder—those with lower R&D intensity—are termed non-high-tech. (For a list of high-tech products as defined by the “DOC-3” definition, see Table 3.2.)

U.S. trade performance in high-tech goods has traditionally been stronger than in less technology-intensive products. In 1980 the U.S. trade balances of both high-tech and non-high tech manufactures peaked. High-tech goods trade produced a 1980 surplus of \$27 billion, and non-high tech manufactures a smaller than normal deficit of \$10 billion (excluding undocumented exports to Canada). Balances in both categories have been steadily deteriorating since then. In 1986 high-tech slid into a first-time annual deficit of \$2.6 billion. However, in 1987 the high-tech balance improved by \$3.2 billion, shifting back to a small \$0.6 billion surplus while non-high tech manufactures trade fell in 1986 to a \$126 billion deficit and in 1987 to a \$138 billion deficit (Figure 3.2).

Figure 3.2

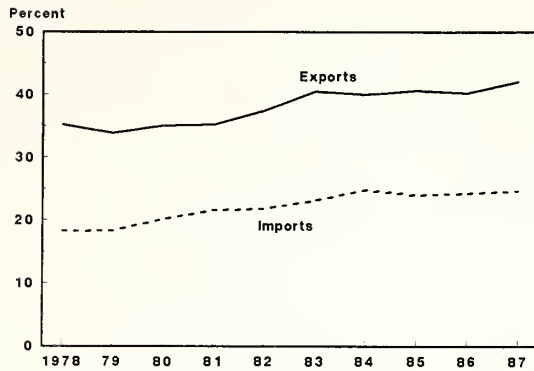
U.S. HIGH-TECH AND NON-HIGH TECH MANUFACTURES TRADE BALANCES, 1978-87



High-tech goods have been increasing their share of both manufactures exports and imports. Between 1980 and 1987 the high-tech share of U.S. exports rose from 35 to 42 percent, and the import share from 20 to 25 percent (Figure 3.3).

Figure 3.3

HIGH-TECH SHARES OF U.S. MANUFACTURES EXPORTS & IMPORTS, 1978-87



Technological preeminence no longer guarantees export surpluses in high-technology products, or even that high-technology trade will be balanced. Transmission abroad of U.S. technology has accelerated for a number of reasons, including rapid major advances in international computerized data base transmissions and international message switching, delinking locations of multinational corporate headquarters and production locations, and delinking research and production locations; for example, research may be performed in the home country, with production performed abroad.

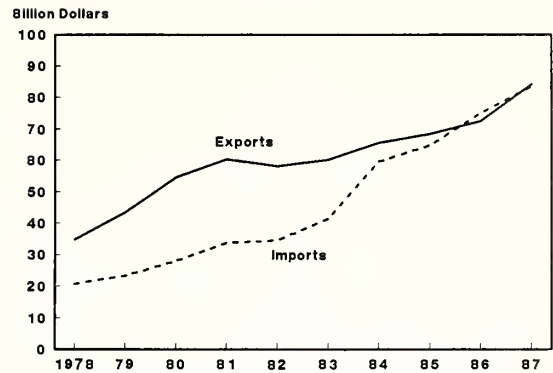
High-Tech Trade Performance

The deterioration in U.S. high-tech performance reflects the rapid growth of international production capabilities and competition in high-technology products. Nevertheless, one-third of U.S. manufactures exports are high-tech items and improved performance in high-tech trade will be an important factor in narrowing the trade deficit.

U.S. high-tech exports grew from \$55 billion in 1980 to \$84 billion in 1987, a gain of 54 percent. Over this same period, however, U.S. high-tech imports nearly tripled, rising from \$28 billion to \$83 billion (Figure 3.4). In 1987 alone, high-tech imports rose by 11 percent.

Figure 3.4

U.S. HIGH-TECH MANUFACTURES EXPORTS & IMPORTS, 1978-87



U.S. high-tech balances improved with a number of major trading partners after worsening in 1986 with most of them. High-tech trade with Japan has been in deficit for a number of years and has accounted for nearly two-thirds of the deterioration in the U.S. high-tech trade balance since 1980, slipping by \$16 billion to a \$22 billion deficit in 1987 (Figure 3.5). The second largest geographic source of deterioration in the high-tech account is the \$9 billion 1980-87 deficit worsening with the East Asian NICs.

Figure 3.5

U.S. HIGH-TECH TRADING-PARTNER BALANCES, 1978-87

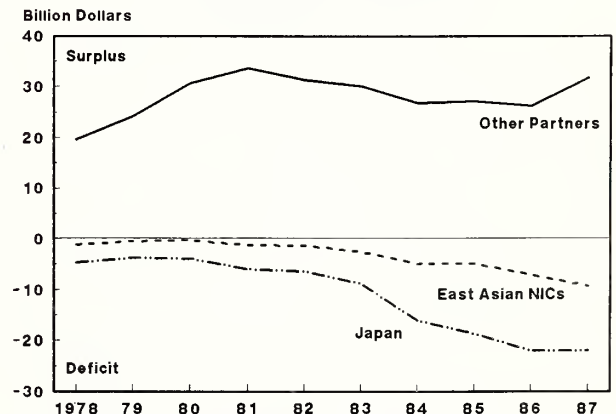


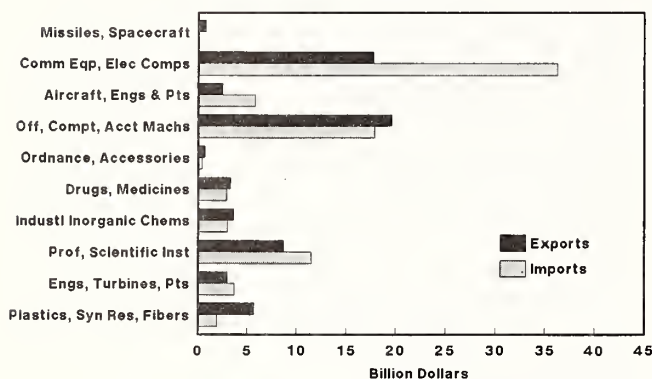
Table 3.2

U.S. High-Tech Trade Balances, by Product, 1986-87 (Billions of dollars)

	1986	1987	1986-87 Change
High-Tech Products, Total	- 2.6	- 0.6	+3.2
Communications equipment & electronic components	-18.6	-18.6	—
Aircraft, engines & parts	12.7	15.1	+2.4
Professional & scientific instruments	- 2.9	- 2.9	—
Office & ADP machines	2.2	1.7	-0.5
Engines, turbines & parts	- 0.8	- 0.7	+0.1
Drugs & medicines	0.8	0.4	-0.4
Guided missiles, spacecraft & parts	0.5	0.8	+0.3
Industrial inorganic chemicals	0.5	0.7	+0.2
Ordinance & accessories	0.4	0.3	-0.1
Plastic materials; synthetic resins, rubber & fibers	2.8	3.8	+ 1.0

Half of the high-tech product groups experienced improved balances in 1987 (Table 3.2). The largest improvement was in the aircraft, engines and parts surplus. (Figure 3.6). Only three groups experienced worsening balances, among them the continued surplus decrease in office and ADP machines reflecting the rapid import growth in personal computers (PCs) and related products. The large deficit in communication equipment and electronic components reflects the rapid increase in imports of non-consumer electronics equipment and parts as well as consumer goods such as TVs and VCRs. The large deficit in professional and scientific instruments reflects a widening dissemination abroad of sophisticated technology.

Figure 3.6
U.S. HIGH-TECH
PRODUCT TRADE, 1987



Non-High Tech Manufactures Trade

Trade in non-high-tech manufactured products has traditionally been most vulnerable to foreign competition. U.S. trade deficits in non-high-tech manufactures have occurred for a number of years, but between a 1980 low point and 1987, the deficit grew very rapidly—from \$10 billion to \$138 billion. By 1987, non-high tech imports were nearly two and one-half times as large as exports.

About one-third of the deficit growth in non-high tech products between 1980 and 1987 was accounted for by enlarging motor vehicles and parts deficits, which reached \$53 billion in 1987. A large share of the deficit growth was also in non-electronic consumer goods, such as apparel and accessories, which worsened by \$14 billion over the 1980-87 period.

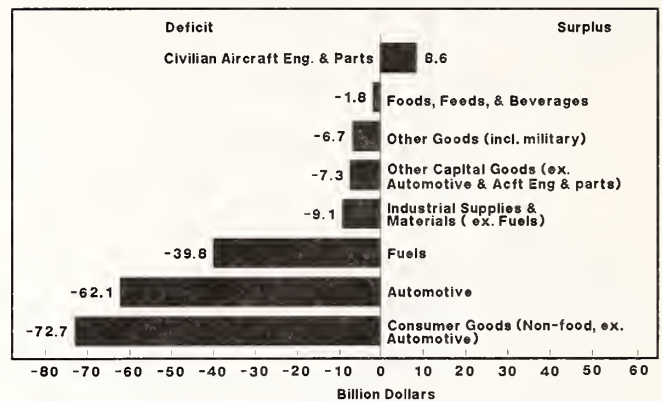
Manufactures Trade on an End-Use Basis

Traded goods can also be sorted into categories according to their presumed "end-use". Three of these broad categories—capital goods, automotive, and other consumer goods—provide a different way of looking at most of manufactures trade.

Most end-use groups were in deficit in 1987, led by consumer goods (excluding foods and automotive products) with a \$73 billion deficit that equalled 43 percent of the total U.S. merchandise deficit. The automotive deficit of \$62 billion was also very large

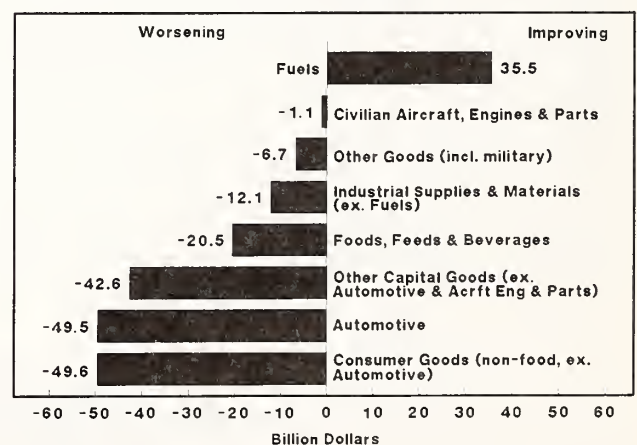
and accounted for a large share of the total deficit (Figure 3.7). Reflecting the fall in oil prices since 1981, fuels was the third largest deficit. Aircraft, engines and parts were in relatively small surplus.

Figure 3.7
END-USE U.S. TRADE BALANCES IN 1987



Between 1981 and 1986 deficit increases of over \$40 billion occurred in each of the major manufactures categories—non-aircraft capital goods, automotive, and other consumer goods (Figure 3.8). The only major improvement was in fuels, all of which was accounted for by reduced cost of imported fuels, reflecting lower prices and volumes.

Figure 3.8
CHANGES IN END-USE U.S. TRADE BALANCES
1981 - 1987

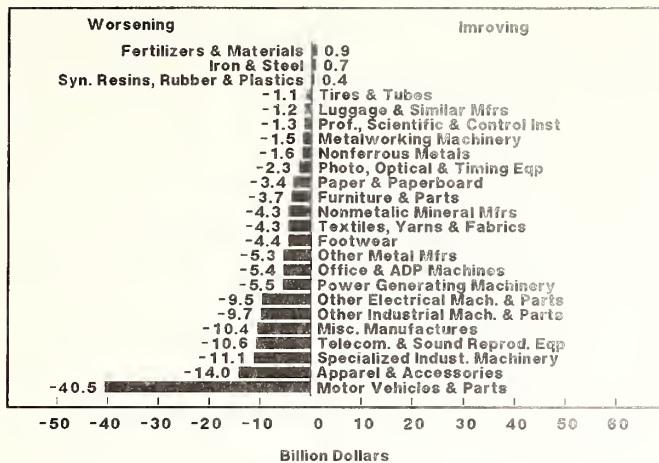


Major Manufactures Product Groups' Trade

To provide a more detailed product performance breakdown, manufactures exports and imports can be further subdivided from the 5 1-digit product groups (noted earlier in this chapter) into 42 2-digit product groups. (See "Data Notes" in the Statistical Appendix for descriptions of individual product groups.) Twenty-four of the 42 groups, however, accounted in 1987 for 84 percent of exports and 90 percent of imports. Since 1981, performance has worsened in 21 of the 24 groups (Figure 3.9).

Figure 3.9

CHANGES IN U.S. MANUFACTURES TRADE BALANCES BY COMMODITY GROUPS, 1981-87



By 1987, trade surpluses occurred in only 7 of the 24 major manufactures product groups (Figure 3.10). Of these product groups, three had 1987 surpluses larger than \$2 billion, 13 had deficits of more than \$2 billion, with the five largest deficits totaling \$111 billion. The 1987 balances improved compared to 1986 levels in only 9 of the 24 groups (Figure 3.11).

Figure 3.10

U.S. MANUFACTURES TRADE BALANCES, BY COMMODITY GROUPS, 1987

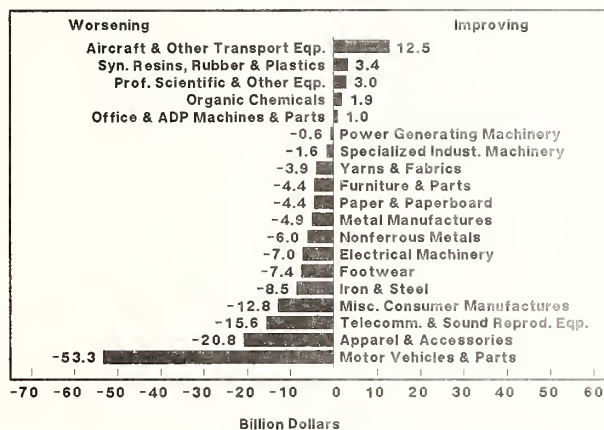
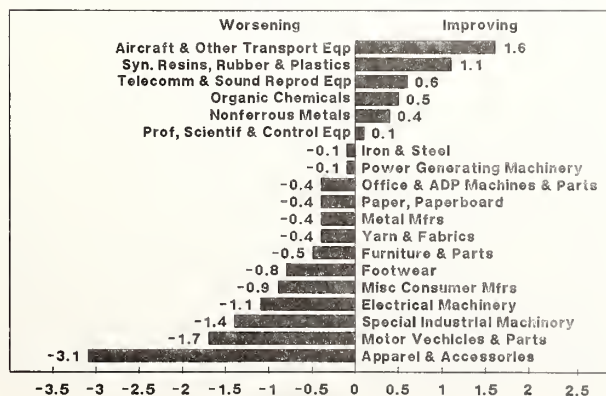


Figure 3.11

CHANGES IN U.S. MANUFACTURES TRADE BALANCES BY COMMODITY GROUPS, 1986-1987



The largest single product group surplus in 1987 was group 79—aircraft & other transport equipment. At \$12.5 billion, the surplus in this group was far above the \$3.4 billion level for second-ranking synthetic resins, rubber, and plastics.

The single largest product group deficit was motor vehicles and parts, the \$53.3 billion deficit accounting for 39 percent of the total manufactures deficit in 1987. The balance in this account has deteriorated \$40.5 billion since 1981, about one-quarter of the total manufactures trade deterioration.

Brief analyses of trends and recent developments in the 24 key product groups follow below. U.S. manufacturing is huge and diverse, but several general conclusions emerge:

- Export growth had been modest for most products early in the decade but began to accelerate in 1986 and 1987.
- Import growth has been consistently strong, frequently due in part to expanded offshore manufacturing of finished products or components. This growth began to slow in 1987.
- Two-way component trade is playing a growing role in manufactures trade.
- Further movement by resource-rich developing countries into downstream processing of oil and other minerals is likely and will increase competition for some U.S. manufacturers who process raw materials.
- Many U.S. manufacturers are retreating from basic product lines toward high-technology, specialized or customized products where price competition is a less critical competitive factor.
- But as technology is more rapidly transmitted internationally and as new product life cycles shorten, direct price competition is becoming more important in world manufactures markets.
- Moreover, global supplies of manufactured goods—both high-tech and non-high tech—are expanding rapidly, intensifying competition for world markets for all types of manufactures.
- At the same time, some U.S. firms have withdrawn from manufacturing some products, retaining only marketing roles.

Given the huge size of the U.S. market, it will be a prime target in an intensifying international competition for manufactures exports. Expanding U.S. manufactures exports and recapturing a larger share of the U.S. market by U.S. manufacturers—essential to improved U.S. trade and current account performance—imply a substantial increase in U.S. manufacturing output over the next several years. Such an increase will likely include U.S.-based production of a larger portion of domestic motor vehicle consumption and, probably, U.S. manufacture of some other major consumer goods items now manufactured largely abroad.

U.S. Trade Performance on a Product Basis

Following is a group-by-group analysis of each of the 24 most active 2-digit schedule A and E manufacturing product groups.

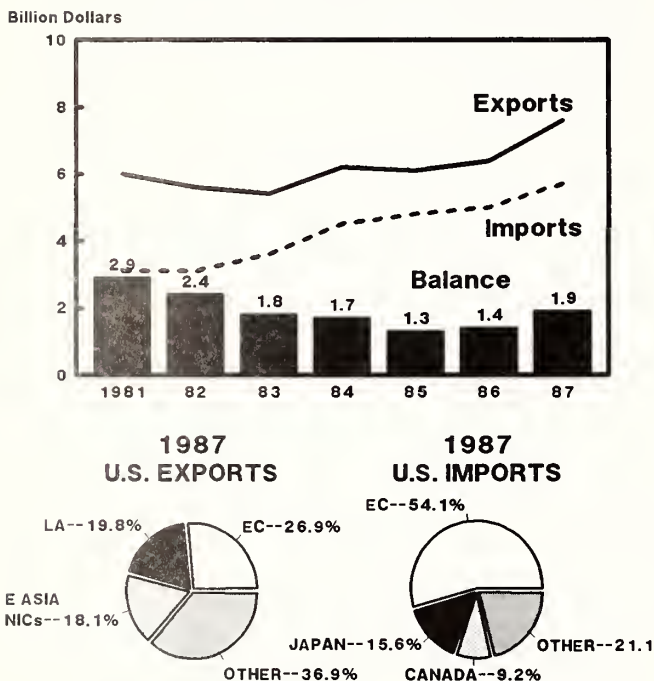
Sch. A/E 51 Organic Chemicals

(Figure 3.12)

Organic chemicals are products mainly derived from petroleum or natural gas, with additional inputs from coal or agricultural products.

Figure 3.12

U.S. TRADE IN ORGANIC CHEMICALS AND RELATED PRODUCTS, 1981-87



Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	7.6	5.7	1.9
Rank, 1987	11th	20th	
1986/87 Change, \$ Bil	1.2	0.7	0.5
1981/87 Change, \$ Bil	1.6	2.6	-1.0

U.S. exports of organic chemicals grew by 19 percent in 1987 from their 1986 level. Exports to most major markets increased in 1987. The Netherlands and Taiwan were the most rapidly growing markets, with 1987 gains of 45 and 37 percent respectively. The decline in the value of the dollar has contributed importantly to the recent increase in exports. In the longer term, however, construction of new chemical plants in some oil producing countries—as well as in the Pacific Rim where labor costs are low—will provide greater competition to U.S. exporters.

In 1987, U.S. imports jumped 15 percent after rising only 3 percent in 1986. In 1987, purchases from all major suppliers in the European Community (EC-12) and from Canada and Japan climbed substantially.

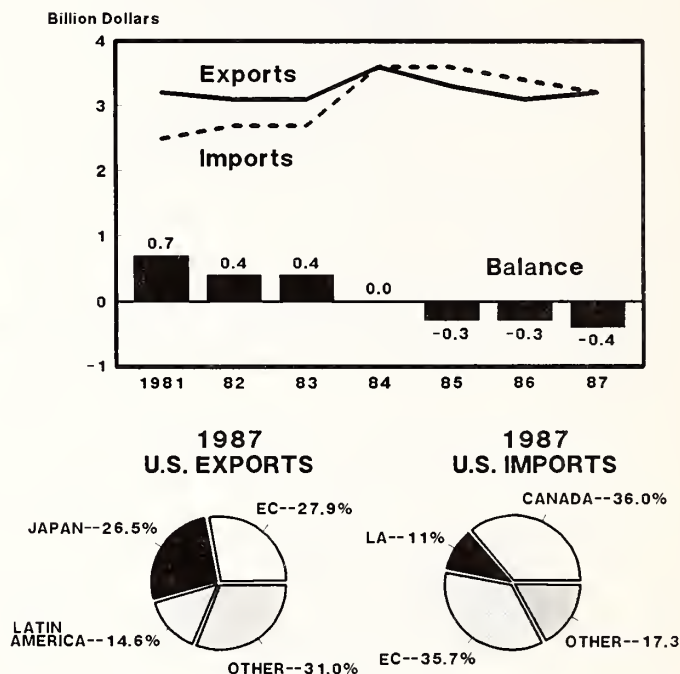
Sch. A/E 52 Inorganic Chemicals

(Figure 3.13)

Inorganic chemicals are compounds produced primarily from chemical processes. Major items in U.S. exports include enriched uranium compounds and sodium salts. Among the largest imports were uranium compounds and alumina.

Figure 3.13

U.S. TRADE IN INORGANIC CHEMICALS 1981-87



Recent Performance

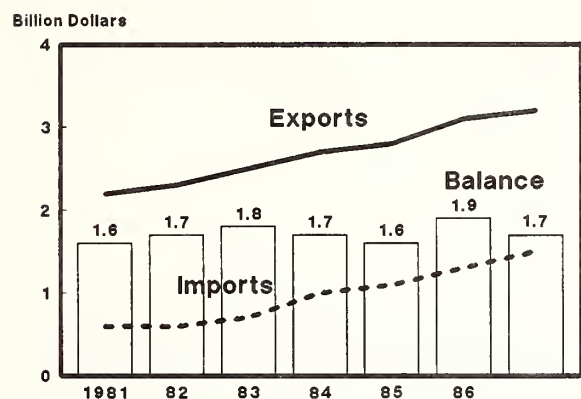
	Exports	Imports	Balance
Value, 1987, \$ Billion	3.2	3.2	0
Rank, 1987	18th	23rd	
1986/87 Change, \$ Bil	0.1	-0.2	0.3
1981/87 Change, \$ Bil	0	0.7	-0.8

U.S. exports of inorganic chemicals have remained relatively stable during the 1980s, but climbed 2 percent in 1987 from their 1986 level. Larger shipments to Canada and Latin America during 1987 more than offset declines to Japan and the EC-12.

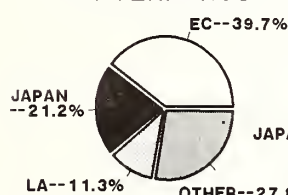
Although inorganic chemicals imports have declined slightly over the past 3 years, 1987 remained well above the 1981 level. Purchases from the United Kingdom and West Germany fell in 1987, but those from France, Canada, and Mexico rose. Part of the overall reduction in imports was attributable to the decline in the value of the dollar.

Figure 3.14

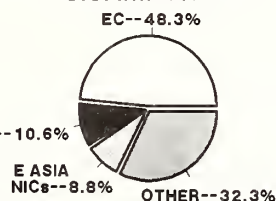
U.S. TRADE IN MEDICINALS AND PHARMACEUTICALS, 1981-86



1987 U.S. EXPORTS



1987 U.S. IMPORTS



Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	3.2	1.5	1.7
Rank, 1987	16th	31st	
1986/87 Change, \$ Bil	0.1	0.2	-0.1
1981/87 Change, \$ Bil	1.0	0.9	0.2

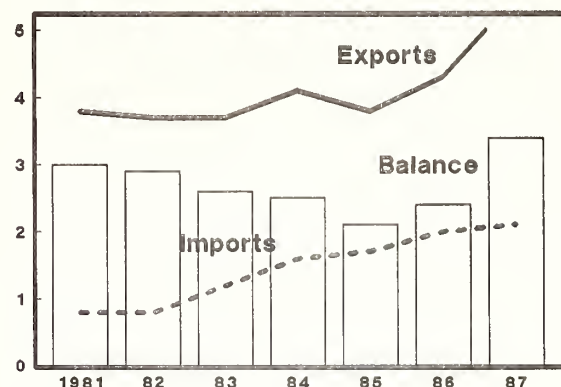
U.S. exports grew 3 percent in 1987, slower than the 14 percent 1986 gain. Shipments to Canada, Japan, and West Germany rose in 1987.

Imports of medicinals and pharmaceuticals have risen strongly in the eighties and increased by 7 percent in 1987 from their 1986 level. Part of this growth is attributable to increased use of generic medicinals from less expensive overseas sources. Much of the recent overall growth in imports in this commodity group has come from West Germany, but Japan and Singapore have grown fastest in recent years, supplying a sizable share of our 1987 U.S. imports.

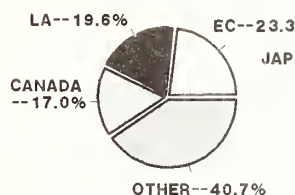
Figure 3.15

U.S. TRADE IN SYNTHETICS, RESINS, RUBBERS & PLASTICS, 1981-87

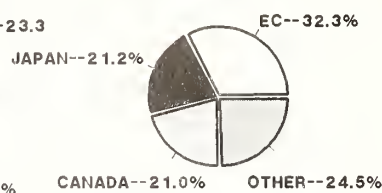
Billions Dollars



1987 U.S. EXPORTS



1987 U.S. IMPORTS



Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	5.5	2.1	3.4
Rank, 1987	13th	28th	
1986/87 Change, \$ Bil	1.2	0.2	1.0
1981/87 Change, \$ Bil	1.7	1.3	0.4

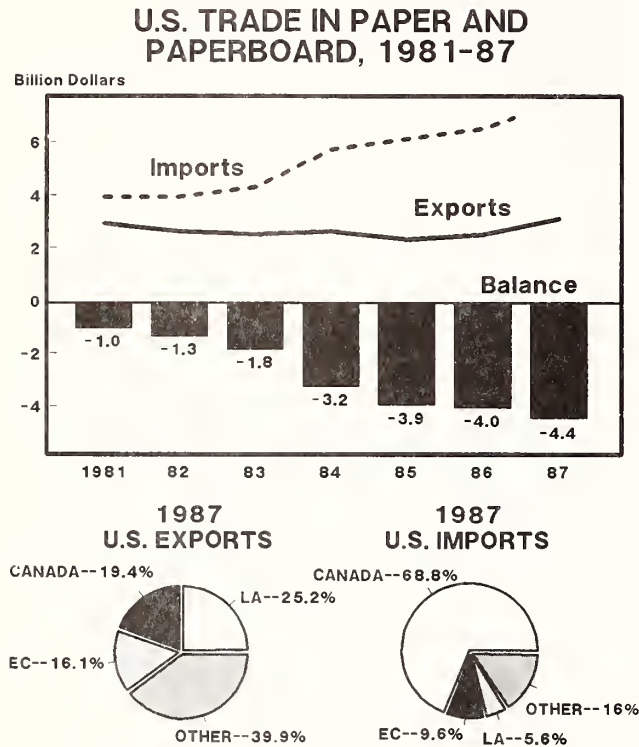
U.S. exports of synthetic resins, rubber, and plastic materials, rose by 14 percent in 1986 and by 27 percent in 1987. Recent dollar devaluation contributed little to the rise in exports of plastic materials as many producers had earlier moved production offshore when the dollar was strong. The cheaper dollar, however, has had a positive impact on synthetic rubber exports.

U.S. imports climbed 8 percent in 1987. Fastest growing suppliers were Canada and Japan, but purchases from West Germany and the East Asian NICs climbed rapidly as well.

Price is an important factor in the world trade in plastics. Producers in the Middle East, Canada, Mexico, and other oil rich countries with favorable cost positions in petroleum feedstocks are continuing to expand production capacity. Competition for U.S. producers is, therefore, likely to expand both in overseas markets and in the U.S. domestic market as well. U.S. trade in synthetic rubber, largely dependent on automotive production, should be helped by the dollar's depreciation, which will encourage exports and slow imports.

**Sch. A/E 64 Paper and Paperboard
and Manufactures (Figure 3.16)**

Figure 3.16



Recent Performance

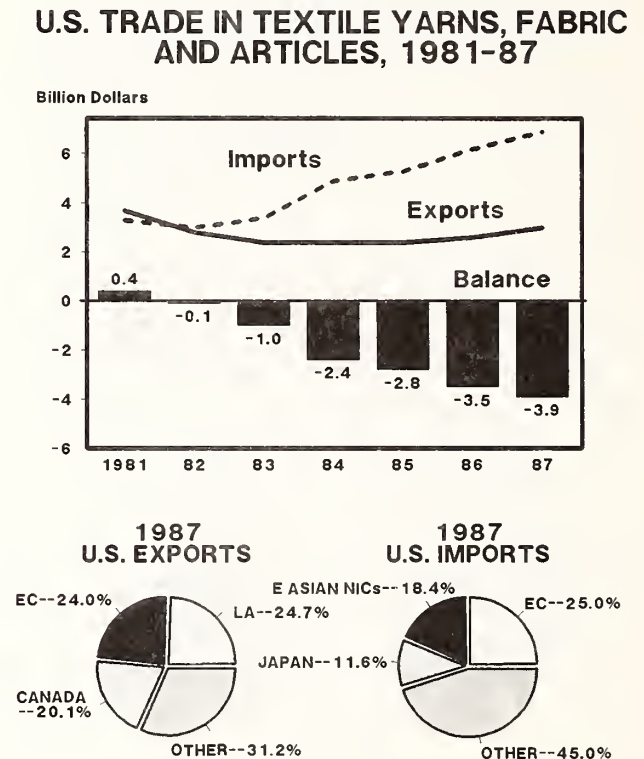
	Exports	Imports	Balance
Value, 1987, \$ Billion	3.2	7.6	-4.4
Rank, 1987	15th	16th	
1986/87 Change, \$ Bil	0.6	1.0	-0.4
1981/87 Change, \$ Bil	0.2	3.6	-3.4

U.S. exports of paper and paperboard fell an average of 6 percent per year between 1981 and 1985, but rose 12 percent in 1986 and 22 percent in 1987. Shipments to Canada, the EC-12, Latin America, the East Asian NICs, and Japan all climbed strongly in 1987 after showing stagnant or declining growth prior to 1986.

U.S. imports grew by 15 percent in 1987. The largest component was newsprint, mainly from Canada. Imports of other paper and paperboard products from other sources—especially Mexico, Japan, and the East Asian NICs—have grown sharply in recent years. Recently, the growth in imports from the EC-12 has slowed considerably after rapid growth in the early 1980s.

**Sch. A/E 65 Textile Yarn, Fabric, and Articles
(Figure 3.17)**

Figure 3.17



Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	3.0	6.9	-3.9
Rank, 1987	19th	17th	
1986/87 Change, \$ Bil	0.4	0.8	-0.4
1981/86 Change, \$ Bil	-0.6	3.7	-4.3

After several years of stagnation, U.S. exports of textiles rose by 9 percent in 1986 and 15 percent in 1987. Shipments to Canada, which had declined over the past several years, rebounded and grew by 18 percent in 1987. Sales to Japan, the EC-12, the East Asian NICs, and Latin America were also strong.

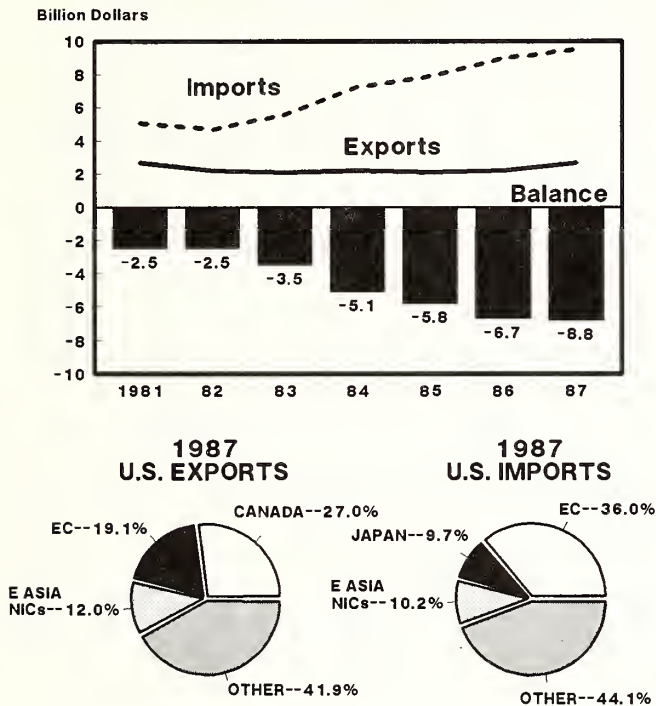
In 1986, textile imports climbed nearly 13 percent. Among major suppliers, imports from Japan dropped substantially but those from Canada, China, and the East Asian NICs rose and more than offset that decline.

Sch. A/E 66 Nonmetallic Mineral Manufactures (Figure 3.18)

This category contains a wide variety of products, including cement, stone building materials, insulation, asbestos products, glass, glassware, pottery, and diamonds and other precious and semiprecious stones. The largest U.S. exports in this group are diamonds and glass. Major imports include diamonds, pottery, cement, and glass.

Figure 3.18

U.S. TRADE IN NONMETALLIC MINERAL MANUFACTURES, 1981-87



Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	2.7	9.5	-6.8
Rank, 1987	21st	11th	
1986/87 Change, \$ Bil	0.5	0.5	-0.1
1981/87 Change, \$ Bil	0	4.4	-4.3

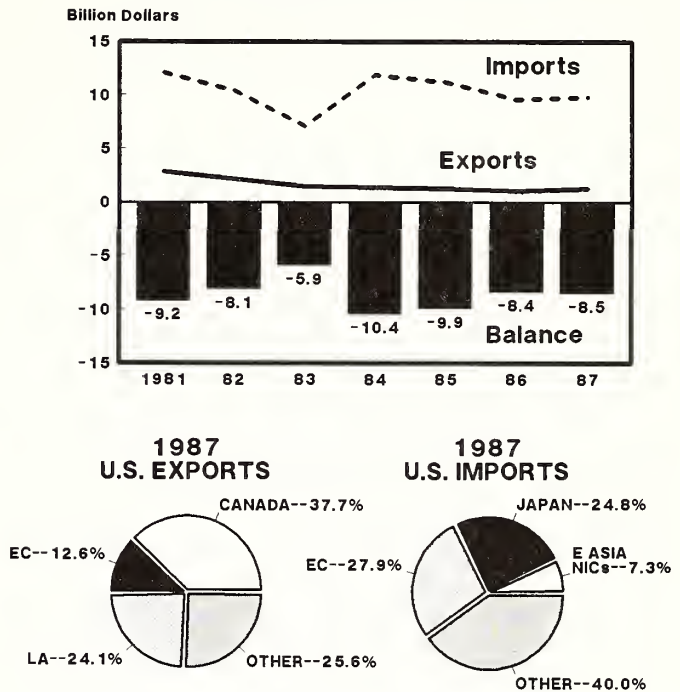
The 1987 increase in U.S. exports of nonmetallic mineral manufactures was largely attributable to greater shipments of diamonds and other precious and semiprecious stones, and glass. Increases went mostly to Canada, Hong Kong, Japan, and Latin America.

Imports have continued to grow substantially through the 1980s, with gains extending to all major product groups except for diamonds and other precious and semiprecious stones, which declined in 1987. Major suppliers include: for diamonds, Israel and Belgium; for pottery, Japan, Taiwan, and the United Kingdom; for cement and non-clay building materials, Italy, Canada, and Mexico; and for glass, Canada and Japan.

Sch. A/E 67 Iron and Steel (Figure 3.19)

Figure 3.19

U.S. TRADE IN IRON & STEEL MILL PRODUCTS, 1981-87



Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	1.3	9.8	-8.5
Rank, 1987	27th	10th	
1986/87 Change, \$ Bil	0.2	0.3	-0.1
1981/87 Change, \$ Bil	-1.6	-2.3	0.7

U.S. iron and steel exports posted their first annual increase in value during the 1980s in 1987. Shipments rose by 19 percent, with strong gains to our largest markets in Canada and Mexico. Although U.S. steel exports have historically been low, the strong dollar further hurt competitiveness in the early 1980s. In addition, global overcapacity in steel and weak demand conditions have continued to depress prices and make it difficult for U.S. producers to compete abroad.

Imports have moved erratically in the 1980s and in 1987 rose by about 3 percent. Although imports from such major suppliers as Japan, the EC-12, and the East Asian NICs declined for the third straight year, increases from Canada and Mexico were especially strong. Imports from Brazil increased as well. The modest growth in 1987 imports was partly attributable to voluntary restraints negotiated with major suppliers. Global overcapacity in steel will continue to put pressure on U.S. steel producers.

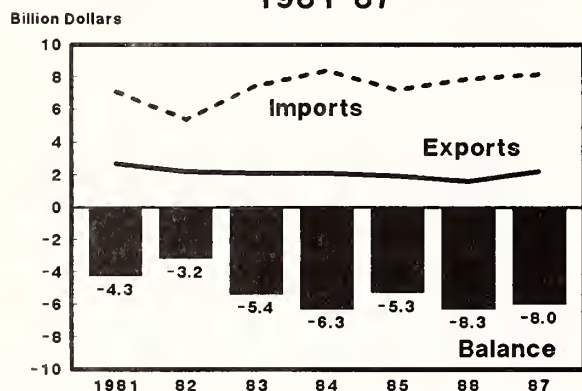
Sch. A/E 68 Nonferrous Metals

(Figure 3.20)

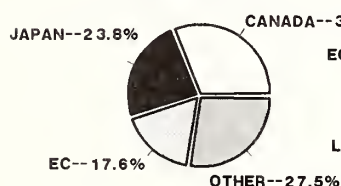
Aluminum, copper and silver are the primary non-ferrous metals in this category.

Figure 3.20

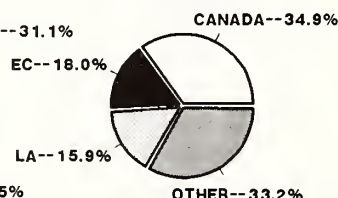
U.S. TRADE IN NONFERROUS METALS 1981-87



1987 U.S. EXPORTS



1987 U.S. IMPORTS



Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	2.2	8.2	-6.0
Rank, 1987	24th	14th	
1986/87 Change, \$ Bil	0.6	0.3	+0.4
1981/87 Change, \$ Bil	-0.5	1.1	-1.6

U.S. exports of nonferrous metals have declined steadily since 1981 until 1987 when they rose by 40 percent. Exports of silver and platinum, aluminum, and copper were especially buoyant, with strong gains to Canada, Japan, the United Kingdom, Latin America, and the East Asian NICs.

Imports of nonferrous metals climbed by 3 percent in 1987. U.S. imports from Canada and Mexico rose, but those from the United Kingdom, Belgium, Japan, and Brazil declined from their 1986 level.

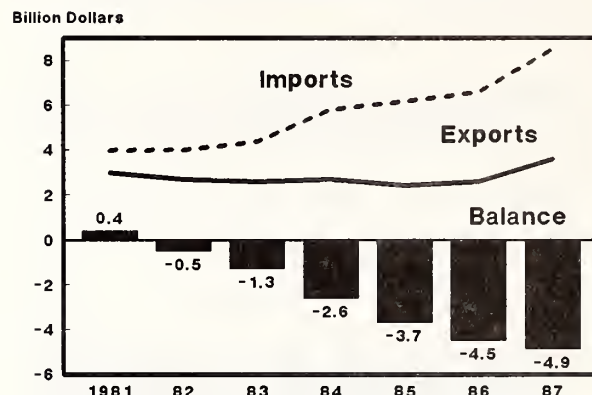
Sch. A/E 69 Miscellaneous Metal Manufactures (Figure 3.21)

This diverse group contains such items as: structures (doors, roofing, and building sections and shapes); storage

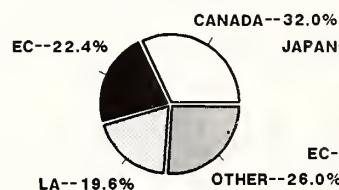
and transportation containers; wire products; nails, bolts, etc.; tools; cutlery and flatware; household articles (cookware, sanitary fixtures, etc.); and safes and locks.

Figure 3.21

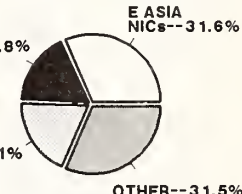
U.S. TRADE IN OTHER METAL MANUFACTURES, 1981-87



1987 U.S. EXPORTS



1987 U.S. IMPORTS



Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	3.6	8.5	-4.9
Rank, 1987	14th	12th	
1986/87 Change, \$ Bil	0.5	0.9	-0.4
1981/87 Change, \$ Bil	-1.2	4.1	5.3

U.S. exports of miscellaneous metal manufactures have generally declined in the 1980s but jumped by 18 percent in 1987. Shipments to Canada, Japan, and Mexico all climbed substantially.

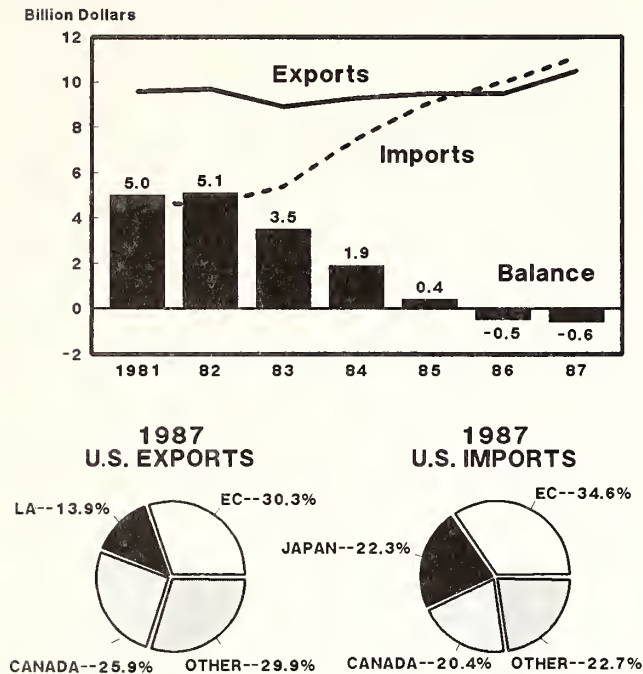
Imports have risen steadily in the 1980s and rose by 12 percent in 1987. Large increases in imports from Mexico, and all the East Asian NICs except Singapore, more than offset a decline in purchases from Japan.

Sch. A/E 71 Power Generating Machinery (Figure 3.22)

This product class is largely automotive and aircraft engines and parts, but also contains steam and vapor boilers and generators and electric motors and generators.

Figure 3.22

U.S. TRADE IN POWER GENERATING MACHINERY, 1981-87



Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	10.5	11.1	-0.6
Rank, 1987	6th	9th	
1986/87 Change, \$ Bil	1.0	1.1	-0.1
1981/87 Change, \$ Bil	0.9	6.4	-5.5

In 1986 exports of power generating machinery grew by 10 percent, the largest increase in recent years. The largest dollar increases were in aircraft engines and parts and automotive engines. Most of the export increase went to the developed countries, especially the United Kingdom, Japan, Canada, and France. One of the primary markets for U.S. jet engines is France, which uses them in several Airbus models.

Imports in 1987 climbed by 11 percent, about the same rate as in 1986, but considerably slower than the 1981-85 average annual 18 percent pace. Automotive internal combustion engines and parts, especially from Japan and Mexico, contributed importantly to the 1987 increase. Imports of automotive and aircraft engines have risen as U.S. firms in both industries use increasing portions of foreign parts in their finished products and as foreign firms, especially in the automotive industry, expand assembly operations here and increase imports to support those operations.

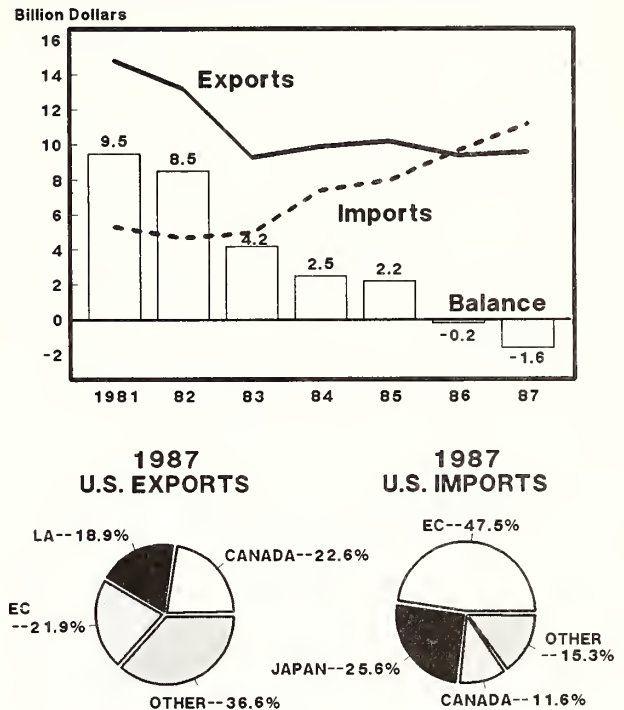
Sch. A/E 72 Special Industrial Machinery (Figure 3.23)

This class contains a wide variety of industrial machinery such as agricultural machinery, construction

and mining equipment, textile machinery, tractors, and printing and bookbinding equipment. U.S. exports are largely concentrated in construction, civil engineering, and mining equipment, while U.S. imports are widely distributed among various products.

Figure 3.23

U.S. TRADE IN SPECIALIZED INDUSTRIAL MACHINERY, 1981-87



Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	9.6	11.2	-1.6
Rank, 1987	7th	8th	
1986/87 Change, \$ Bil	0.1	1.5	-1.4
1981/87 Change, \$ Bil	-5.2	5.9	-11.1

U.S. exports of special industrial machinery have declined sharply since 1981 but rose slightly in 1987. The largest single export item in this disparate group—civil engineering and contractor equipment—declined again in 1987 but this loss was offset by increases in agriculture, textile, printing, and food processing machinery. Increases in exports were widespread among the developed countries, other than Japan, and to the East Asian NICs. However, reduced shipments to other developing countries, especially in OPEC and Latin America, partly offset these gains. For some products in this group, the slow growth in exports reflects increased offshore manufacturing of equipment and the failure of U.S. producers to keep pace with technological advances. For example, most smaller horsepower tractors are no longer produced domestically. For some types of

textile machinery, the failure of U.S. equipment to incorporate the latest technology has begun limiting U.S. exports to only replacement parts for older equipment.

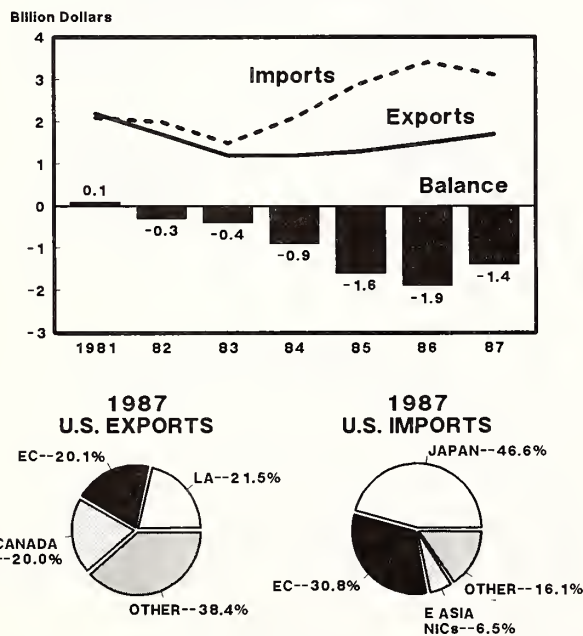
Imports climbed a sizable 15 percent in 1987, continuing their rapid growth of recent years. 1987 imports from Japan, Canada, Taiwan, and Brazil all rose sharply in 1987. In contrast, the rate of increase from the EC-12 slowed. The movement to offshore assembly for some types of industrial machinery, including construction and mining machinery, tractors, and agricultural machinery, has contributed to import growth during the 1980s.

Sch. A/E 73 Metalworking Machinery (Figure 3.24)

This category consists of metalworking, metal-cutting, and metalforming machine tools, as well as metal foundry machinery, rolling mill machinery, welding/soldering equipment, and parts.

Figure 3.24

U.S. TRADE IN METALWORKING MACHINERY, 1981-87



Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	1.7	3.1	-1.4
Rank, 1987	26th	24th	
1986/87 Change, \$ Bil	0.2	-0.3	+0.5
1981/87 Change, \$ Bil	-0.5	1.0	-1.5

Although U.S. exports of metalworking machinery have increased in recent years, including a 10 percent rise in 1987, the value of shipments in 1987 remained well below the 1981 level. The largest increases in 1987 exports were to Korea, Venezuela, and Canada. In contrast to these gains, shipments to Japan declined.

U.S. imports of metalworking machinery declined by 9 percent in 1987. Imports from Japan, the largest supplier to the U.S. market, fell by 7 percent and those from Germany, Belgium, the United Kingdom, and Canada declined as well.

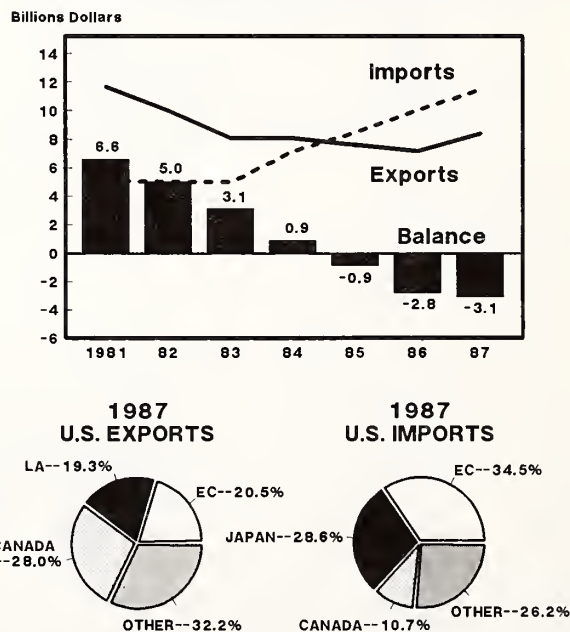
Foreign producers are increasingly establishing new U.S. sales networks and subsidiaries and some U.S. producers have begun establishing overseas production facilities, while other U.S. firms have established joint ventures and licensing arrangements with foreign firms in order to gain the cost advantages of overseas production. These developments will put increasing upward pressure on imports and probably slow export growth as domestic production capacity shrinks.

Sch. A/E 74 Miscellaneous Industrial Machinery and Parts (Figure 3.25)

This is a group of disparate products which includes such items as heating and cooling equipment, pumps, air and gas compressors, fans, mechanical handling equipment, refrigeration equipment, and miscellaneous machinery parts.

Figure 3.25

U.S. TRADE IN OTHER INDUSTRIAL MACHINERY AND PARTS, 1981-87



Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	8.4	11.5	-3.1
Rank, 1987	8th	7th	
1986/87 Change, \$ Bil	1.2	1.5	-0.3
1981/87 Change, \$ Bil	-3.2	6.5	-9.7

U.S. exports of miscellaneous industrial machinery, which had declined each year since 1981, rose by 16 percent in 1987. Gains extended to most types of machinery and parts in the group, with especially strong

increases to Canada and the East Asian NICs. The demand for U.S. exports of some of these products, such as pumps and compressors, is partly related to the expansion of new foreign projects involving power and chemical plants and petroleum operations. Recent dollar depreciation should boost the future competitiveness of U.S. suppliers.

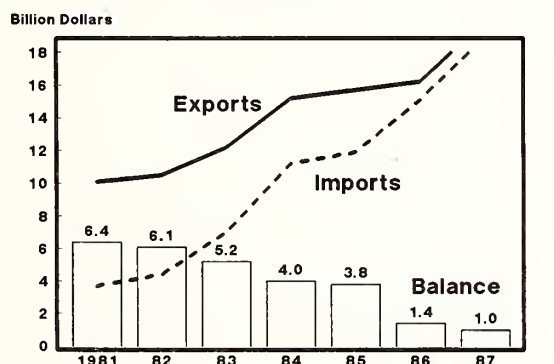
U.S. imports grew by 15 percent in 1987. Japan is the largest supplier of the varied machinery in this group, but strong gains were posted by Mexico, Korea, Taiwan, Singapore, and Brazil as well. For some products, such as household fans and blowers and some air-conditioning and refrigeration equipment, major foreign suppliers and some U.S. subsidiaries are located in various developing countries, some of whose currencies have not changed much against the dollar. Thus, imports of these types of machinery may well continue to expand.

Sch. A/E 75 Office and ADP Machines (Figure 3.26)

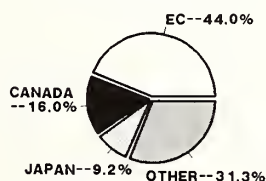
U.S. trade in this category is dominated by automatic data processing machines and parts of both ADP machines and office machines. Imports include sizable amounts of office machines (typewriters, copiers, calculators, dictating machines, etc.), while U.S. exports of these items are relatively small.

Figure 3.26

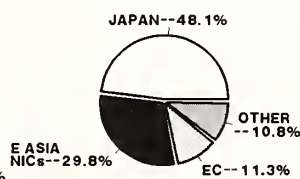
U.S. TRADE IN OFFICE & ADP MACHINES 1981-87



1987 U.S. EXPORTS



1987 U.S. IMPORTS



Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	20.0	19.0	1.0
Rank, 1987	2nd	6th	
1986/87 Change, \$ Bil	3.6	3.9	-0.4
1981/87 Change, \$ Bil	9.9	15.4	-5.4

Exports rebounded from the slow growth recorded in 1986 and posted a gain of 16 percent in 1987. Offshore assembly of standardized, low-end products and the growing tendency to supply foreign markets from these offshore sources has been a restraining factor on exports in recent years. The recent depreciation of the dollar is unlikely to reverse this situation since many of the offshore assembly operations are in developing countries, some of whose currencies, until recently, have changed little relative to the dollar. As product standardization grows, U.S. producers will face increased competition in both foreign and U.S. markets from suppliers in East Asia and elsewhere.

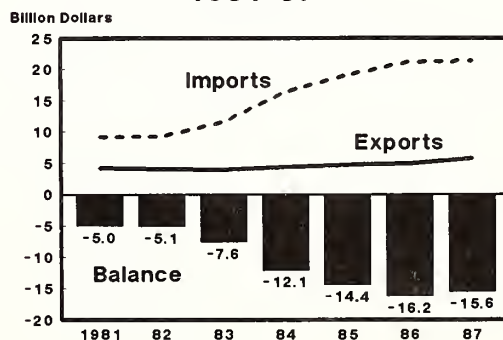
Imports surged an average of about one-third each year between 1981 and 1985, and by about 27 percent in both 1986 and 1987. Japan is the largest supplier of ADP machines and parts, but the East Asian NICs and Mexico are also important. Although Japanese manufacturers produce a full range of computer products, their shipments to the United States are mainly in small-scale peripherals and systems where they have the advantage of low-cost, high-volume production.

Sch. A/E 76 Telecommunications and Sound Recording Equipment (Figure 3.27)

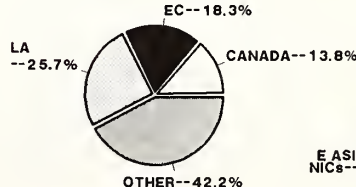
This group contains telephone and radio communications equipment, broadcasting equipment, and signal detection apparatus such as radar—items in which the United States is still relatively competitive in export markets—and consumer electronic products, most of which are imported either from foreign firms or from U.S. assembly operations overseas. The \$15.6 billion deficit in 1987 was \$10.6 billion larger than in 1981 and the third largest product group deficit.

Figure 3.27

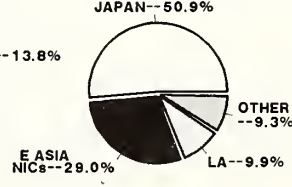
U.S. TRADE IN TELECOMMUNICATIONS & REPRODUCING EQUIPMENT 1981-87



1987 U.S. EXPORTS



1987 U.S. IMPORTS



Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	5.7	21.3	-15.6
Rank, 1987	12th	4th	
1986/87 Change, \$ Bil	0.7	0.1	+0.6
1981/87 Change, \$ Bil	1.5	12.1	-10.6

U.S. exports of telecommunications equipment increased modestly during the 1980s but recorded a 14 percent gain in 1987. The relative stability of U.S. exports in this category was partly attributable to shipments of parts to support the offshore assembly operations of U.S. firms. U.S. exports in 1987 were strong to the East Asian NICs, Japan, Brazil, the United Kingdom, and Italy. Shipments to Saudi Arabia, however, declined sharply. Although U.S. higher technology telecommunications equipment remains competitive in the international market, barriers in a number of countries continue to limit the potential for expanding exports. The United Kingdom and Japan are among the few countries to lower trade barriers in this field.

Import growth slowed in 1987, increasing less than 1 percent compared to the average 20 percent annual gains recorded earlier in the decade. This slowing was largely due to a 15 percent decline in imports from the largest supplier, Japan. In contrast, purchases from Malaysia, Korea, Singapore, Taiwan, and Mexico rose substantially. Major reductions in the deficit in this category will be difficult until U.S.-based production of several consumer electronic products expands. U.S. imports of telephone equipment in the eighties have been spurred by divestiture and deregulation. Many consumer electronic products including VCRs, the growth consumer product of the eighties, are not produced domestically in large quantities.

Sch. A/E 77 Miscellaneous Electric Machinery and Parts (Figure 3.28)

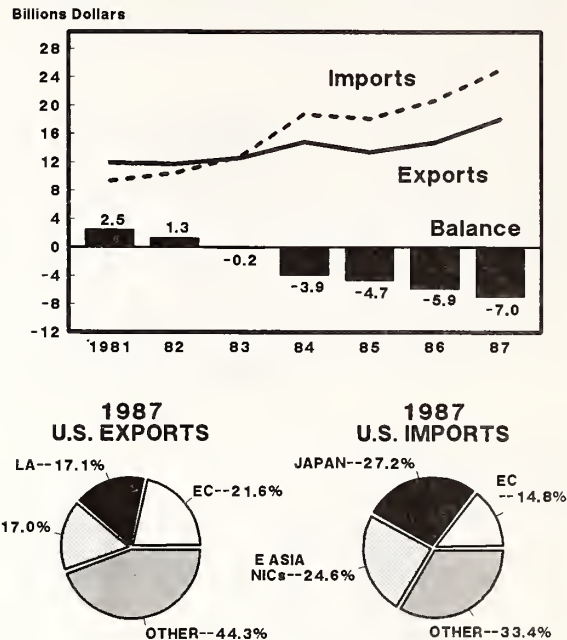
This class consists of a wide range of electrical equipment including electronic components (for example, semiconductors), circuit breakers, connectors, electro-medical equipment and household appliances.

Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	18.1	25.1	-7.0
Rank, 1987	4th	3rd	
1986/87 Change, \$ Bil	3.3	4.4	-1.1
1981/87 Change, \$ Bil	6.2	15.7	-9.5

Figure 3.28

U.S. TRADE IN OTHER ELECTRICAL MACHINERY AND PARTS, 1981-87



U.S. exports of miscellaneous electric machinery and parts rose by 22 percent in 1987. The largest single U.S. export item in this group, electronic components, recorded a 25 percent gain in 1987, and increases in the smaller valued electric distributing equipment and household equipment product groups were even larger. Overall U.S. exports in miscellaneous electric machinery were especially strong to Hong Kong, Taiwan, Japan, and Canada.

Imports climbed by 21 percent in 1987. Japan was by far the largest supplier, followed by Mexico, the East Asian NICs, and the EC-12. The important electronic components group recorded an increase of 26 percent in 1987 after a rise of only 5 percent in 1986.

The U.S. trade deficit in this product group deteriorated further in 1987, continuing the pattern of the eighties. Overall, the dollar's depreciation should help expand exports and may restrain imports, although a substantial portion of imports comes from countries such as Mexico and some of the East Asian NICs whose currencies have changed little against the dollar. Foreign trade in electronic components will be affected by the earlier widespread movement to offshore assembly by U.S. firms, the effectiveness of the U.S.-Japan agreement on semiconductors, the growing importance of the Korean semiconductor industry, and foreign direct investment in the manufacture of these products in the United States.

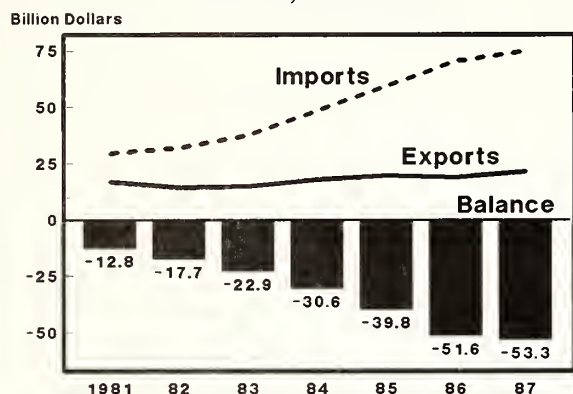
Sch. A/E 78 Road Motor Vehicles (Figure 3.29)

This group includes passenger cars, trucks, tractors, motorcycles, special purpose vehicles, and parts and

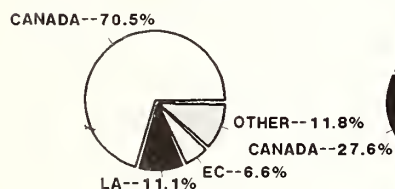
components for these items. It is by far the largest single trade category, generating 1987 imports of \$74.8 billion, three and one-half times the level of exports—and a \$53.3 billion 1987 deficit.

Figure 3.29

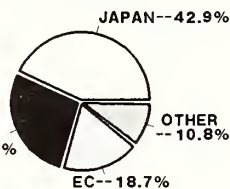
U.S. TRADE IN MOTOR VEHICLES & PARTS, 1981-87



1987 U.S. EXPORTS



1987 U.S. IMPORTS



Half of the U.S. exports in this group consists of motor vehicle parts and accessories, another third is passenger cars. The remainder consists mainly of trucks, busses, and special purpose vehicles. Import composition is quite different, with two-thirds consisting of passenger cars, another 18 percent parts, and the remainder largely special purpose vehicles, including trucks.

Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	21.5	74.8	-53.3
Rank, 1987	1st	1st	
1986/87 Change, \$ Bil	2.5	4.2	-1.7
1981/87 Change, \$ Bil	4.6	45.1	-40.5

U.S. exports of motor vehicles rebounded from the 1986 decline and recorded a gain of 13 percent in 1987. Shipments of parts to both Canada and Mexico rebounded from their declines the previous year and those to Korea and Taiwan continued to grow substantially.

Growth in U.S. motor vehicle imports since 1981 has been rapid—averaging 19 percent annually—but slowed to only 6 percent in 1987. Although the volume of passenger car imports from Japan and West Germany fell in 1987, those from Korea soared. Increased

penetration of the U.S. market in the 1980s—first by Europe and Japan, then by Korea—has put increasing pressure on U.S. industry to cut costs and improve quality. Other countries such as Brazil and Taiwan have begun or may soon begin sending complete vehicles as well, creating additional pressure on the U.S. industry.

Efforts of the U.S. industry to remain competitive have led to increased outsourcing and foreign production of parts, increasing imports in this product group. Moreover, the opening and expansion of U.S.-based assembly plants by some foreign producers—notably the Japanese—in response to VRAs, exchange rate changes, and fears of possible future restrictions, has increased imports of parts to support U.S. assembly operations. Also, with imported automobiles and trucks comprising an increasing part of the motor vehicles in use in the United States, the demand for imported replacement parts has increased.

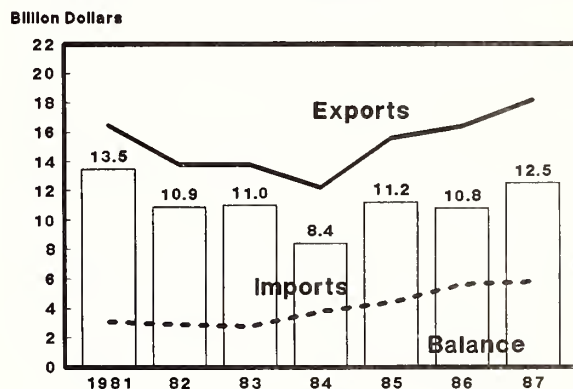
Sch. A/E 79 Other Transport Equipment

(Figure 3.30)

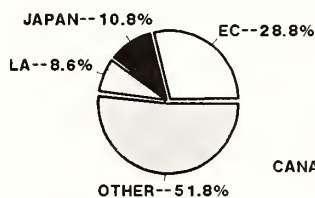
This category consists mainly of aircraft and parts (excluding engines). Also included are ships, boats, railway vehicles, and trailers.

Figure 3.30

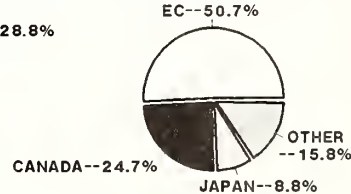
U.S. TRADE IN AIRCRAFT & OTHER TRANSPORT EQUIPMENT, 1981-87



1987 U.S. EXPORTS



1987 U.S. IMPORTS



Recent Performance

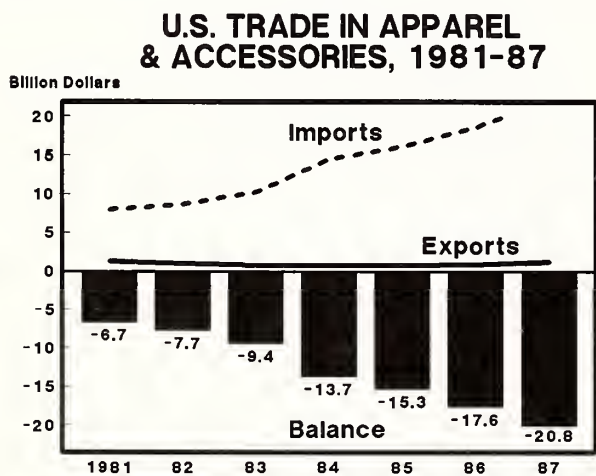
	Exports	Imports	Balance
Value, 1987, \$ Billion	18.2	5.8	12.5
Rank, 1987	3rd	19th	
1986/87 Change, \$ Bil	1.8	0.2	+ 1.6
1981/87 Change, \$ Bil	1.8	2.6	- 0.9

Exports of other transport equipment recorded their third consecutive year of growth in 1987. Exports in 1987 rose by 11 percent as shipments of military aircraft climbed strongly and those of large commercial transports rose modestly. The largest markets for U.S. exports were Japan, West Germany, the United Kingdom, Canada, and the East-Asian NICs. Exports will be sustained by a large backlog of orders for large commercial transports and by increased demand for parts for growing overseas production and maintenance. But increased availability of foreign military aircraft is projected to continue to adversely affect U.S. military aircraft exports.

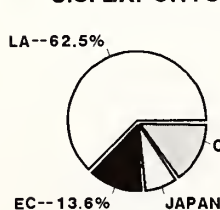
Imports rose by only 4 percent in 1987 after a 25 percent gain in 1986 largely because of lower deliveries of large commercial aircraft. In 1988, however, deliveries of such aircraft are expected to rise. In addition, future imports will be encouraged by rising demand for larger commuter aircraft which are assembled overseas, and increasing imports of engines and engine parts resulting from shared production programs.

Sch. A/E 84 Wearing Apparel and Accessories (Figure 3.31)

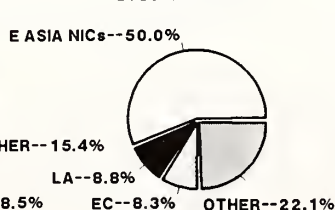
Figure 3.31



1987
U.S. EXPORTS



1987
U.S. IMPORTS



Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	1.2	22.0	-20.8
Rank, 1986	29th	3rd	
1985/87 Change, \$ Bil	0.3	3.4	-3.1
1981/87 Change, \$ Bil	-0.1	14.0	-14.0

Wearing apparel was the second largest 1987 deficit product group. The \$20.8 billion 1987 deficit was \$3.1

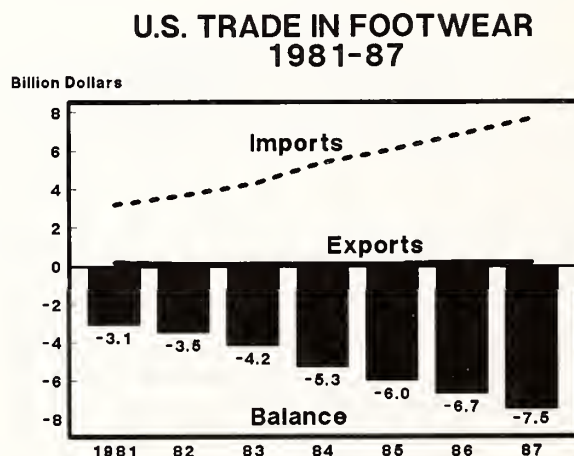
billion larger than in 1986, the largest deficit increase among the 2-digit Sch. A/E product groups.

Exports are small—less than one-twentieth of imports—but grew 28 percent in 1987, after a strong gain in 1986. Sales to Japan doubled in 1987 and continued to expand substantially to the EC-12 and Latin America.

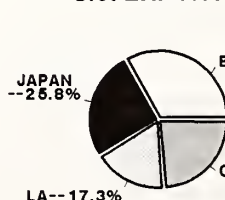
U.S. clothing imports grew at an average rate of 18 percent per year between 1981 and 1986, and at about 18 percent in 1987. Volume, however, rose only about 10 percent. A substantial part of the increase in value reflects a switch to higher valued goods because of tighter bilateral restraint agreements regulating quantities negotiated with the big three suppliers: Hong Kong, Korea, and Taiwan. In addition, the value of imports from Latin America climbed sharply, up 36 percent from 1986. Low labor costs are a prime determinant of our clothing imports, and U.S. firms are making increasing use of offshore assembly operations in Mexico and the Caribbean, utilizing the "807" tariff provisions which allow for duty-free re-entry of the U.S. origin portion of the product.

Sch. A/E 85 Footwear (Figure 3.32)

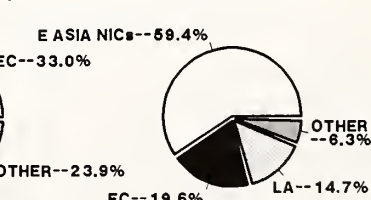
Figure 3.32



1987
U.S. EXPORTS



1987
U.S. IMPORTS



Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	0.2	7.7	-7.4
Rank, 1987	37th	15th	
1986/87 Change, \$ Billion	*	0.8	-0.7
1981/87 Change, \$ Billion	0.1	4.4	-4.4

* Less than (+) or (-) \$0.1 billion.

U.S. exports of footwear rose by nearly 40 percent in 1987, with much of the gain resulting from higher sales to the EC-12, Japan and Canada. The weaker U.S. dollar contributed to the growth in exports, but the 1987 export total of \$212 million remained tiny compared to imports, yielding a 1987 deficit of \$7.4 billion.

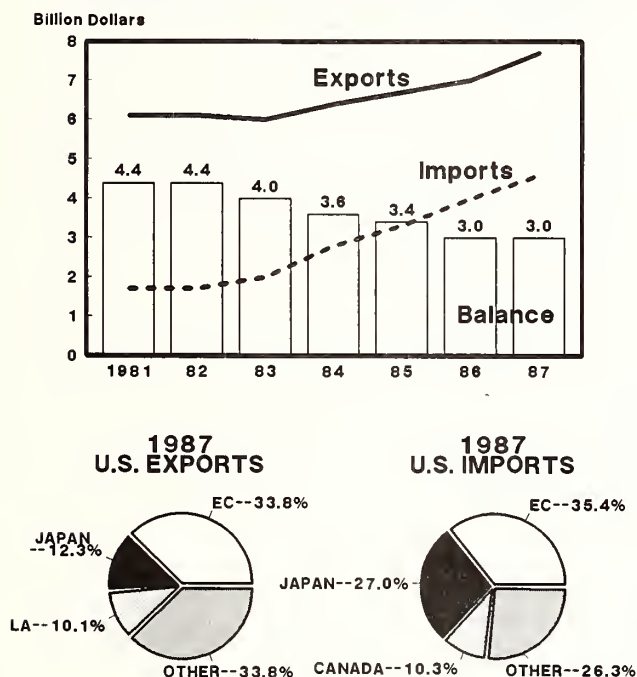
U.S. footwear imports rose by 18 percent in 1987. Although purchases from the EC-12 slowed, those from Brazil jumped by more than one-third and those from the East Asian NICs climbed substantially as well.

Sch. A/E 87 Professional, Scientific, and Controlling Instruments (Figure 3.33)

This group includes various kinds of instruments, including optical instruments, medical instruments, meters and counters, surveying instruments, automatic pilots, precision balances, and seismographs.

Figure 3.33

U.S. TRADE IN PROFESSIONAL, SCIENTIFIC & CONTROL INSTRUMENTS, 1981-87



Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	7.7	4.6	3.0
Rank, 1987	10th	22nd	
1986/87 Change, \$ Billion	0.7	0.6	-0.1
1981/87 Change, \$ Billion	1.6	2.9	-1.3

U.S. exports grew modestly through most of the 1980s, but rose 10 percent in 1987. Shipments to Mexico, Japan, Canada, and the East Asian NICs expanded briskly.

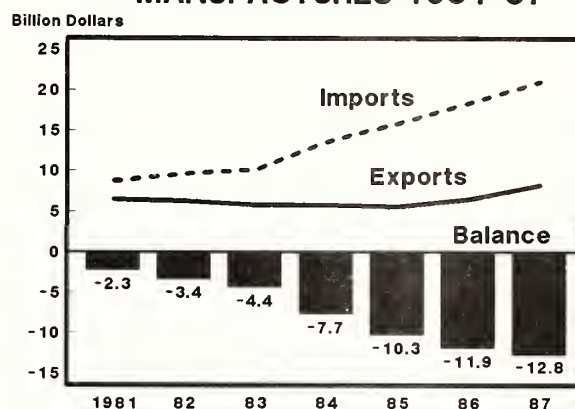
U.S. imports grew by 16 percent in 1987, slightly less than their average of the early 1980s. Imports from our major suppliers in the EC-12 and Canada increased in 1987 but the fastest rates of increase were in purchases from the East Asian NICs—especially Taiwan—and from Mexico.

Sch. A/E 89 Miscellaneous Manufactures (Figure 3.34)

This group consists of largely unrelated manufactures such as rubber and plastic articles, printed matter, toys and games, artwork, jewelry, and musical instruments. Exports and imports are widely dispersed among these products.

Figure 3.34

U.S. TRADE IN MISCELLANEOUS MANUFACTURES 1981-87



Recent Performance

	Exports	Imports	Balance
Value, 1987, \$ Billion	8.3	21.1	-12.8
Rank, 1987	9th	5th	
1986/87 Change, \$ Bil	1.8	2.7	-0.9
1981/87 Change, \$ Bil	1.8	12.3	-10.4

After several years of export declines, foreign sales in 1986 grew by 17 percent, and by 27 percent in 1987 with the strongest gains in artworks, musical instruments and toys and sporting goods. Canada, Japan, the United Kingdom, and Mexico were the largest markets.

Imports in 1987 continued to expand at their average rate of the 1980s—about 16 percent. Imports of toys,

games, and sporting goods led the advance. Dollar depreciation probably has had little effect on imports of toys and sporting goods, since the currencies of the primary suppliers—Hong Kong, Korea, and Taiwan—have either held steady against the dollar or have changed only recently.

Recent Performance

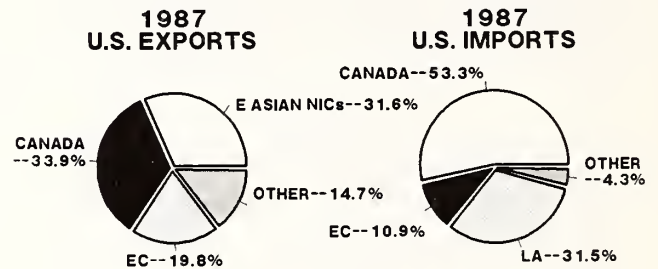
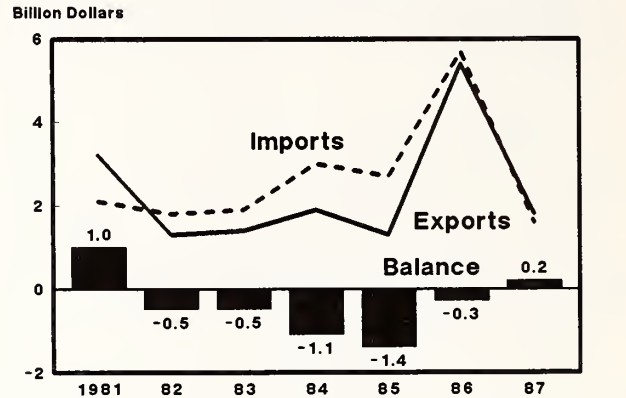
	Exports	Imports	Balance
Value, 1987, \$ Billion	1.9	1.6	0.2
Rank, 1987	25th	30th	
1986/87 Change, \$ Bil	-3.6	-4.1	+0.5
1981/87 Change, \$ Bil	-1.3	-0.5	-0.8

The U.S. trade pattern in nonmonetary gold in 1987 largely reflected the effects of a special, one-time event which occurred in 1986. That year, Japan purchased large amounts of gold bullion from U.S. dealers who, in turn, obtained it from Canada, Switzerland, and several European countries. This gold was imported into the United States and then exported to Japan to be minted into commemorative coins for the 60th anniversary of Emperor Hirohito's reign. As a result, U.S. exports of nonmonetary gold to Japan, most of which was not of U.S. origin, soared in 1986 and then returned to more normal levels in 1987.

Sch. A/E 97 Nonmonetary Gold (Figure 3.35)

Figure 3.35

U.S. TRADE IN NONMONETARY GOLD 1981-87



4

REGIONAL AND COUNTRY MERCHANDISE TRADE PERFORMANCE

Chapters 1 through 3 emphasized the importance of manufactures trade in overall U.S. trade performance. This analysis provides insights on recent performance on a country/regional basis, with special emphasis on manufactures trade, identifying the extent to which overall performance is driven by manufactures trade.

Regional Patterns of U.S. Trade

Total Trade

In 1987 the United States traded with nearly 200 countries. Ten key trading partners, however, accounted for two-thirds of total U.S. merchandise trade (Table 4.1).

Canada in 1987 continued its long-standing position as the largest U.S. trading partner, with Japan retaining its number two position by a large margin. Canada is still the United States' largest export market, over twice as large as next-ranking Japan. Japan, however, is the largest supplier to the U.S. market. In recent years, the East Asian NICs have emerged as important sources of U.S. imports. Three of the NICs—Taiwan, South Korea, and Hong Kong—in 1987 were in the top 10 suppliers to the U.S. market. In fact, Taiwan was the fourth largest source of U.S. imports—larger than all other European sources, except West Germany.

U.S. trade with Japan produced the largest bilateral deficit—\$59.8 billion. The second largest deficit was

Table 4.1

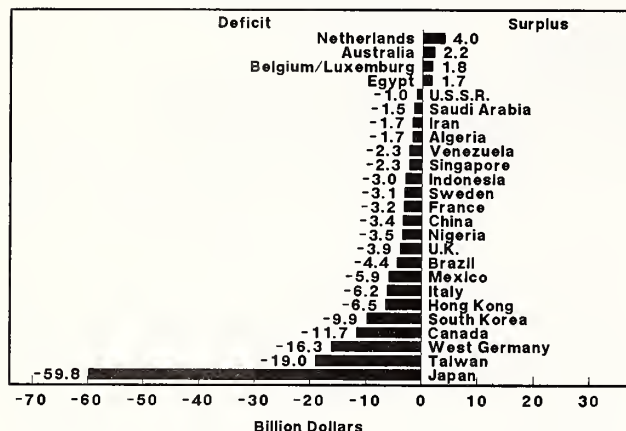
Ten Top U.S. Trading Partners in 1987
(Domestic & foreign exports, f.a.s.; General imports, c.i.f.)
(Values in billions of dollars)

Exports				Imports			
Country	1986	1987	Percent of 1987 Exports	Country	1986	1987	Percent of 1987 Imports
Canada	\$55,512	\$59,814	23.7	Japan	\$85,457	\$88,074	20.8
Japan	26,882	28,249	11.2	Canada	68,662	71,510	16.9
Mexico	12,392	14,582	5.8	West Germany	26,128	28,028	6.6
United Kingdom	11,418	14,114	5.6	Taiwan	21,251	26,406	6.2
West Germany	10,561	11,748	4.6	Mexico	17,558	20,520	4.8
Netherlands	7,347	8,217	3.2	United Kingdom	16,033	17,998	4.2
South Korea	6,345	8,099	3.2	South Korea	13,497	17,991	4.2
France	7,216	7,943	3.1	Italy	11,312	11,698	2.8
Taiwan	5,524	7,413	2.9	France	10,586	11,177	2.6
Belgium/Luxembourg	5,399	6,189	2.4	Hong Kong	9,474	10,490	2.5
			65.7				71.6

with Taiwan—\$19.0 billion (Figure 4.1). The growth of the U.S. deficit with Japan significantly slowed in 1987 to two percent, down from the one-third increase posted in 1982 and 18 percent in 1986. The largest dollar deficit increases were with Taiwan—\$3.3 billion, and South Korea—\$2.8 billion.

Figure 4.1

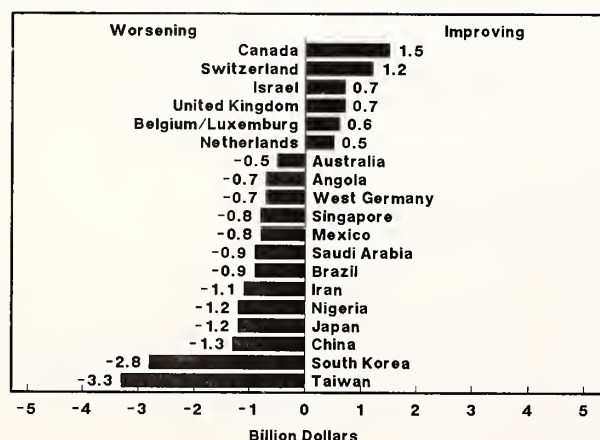
LARGEST SURPLUS AND DEFICIT BILATERAL U.S. TRADE BALANCES, 1987



For the first time this decade, the U.S. deficit with developed countries decrease in 1987—improving with over one-half of those countries (Figure 4.2). The United States recorded rising trade deficits in 1987 with the other two major regional groups—developing countries and centrally planned economies.

Figure 4.2

LARGEST CHANGES IN U.S. BILATERAL TRADE BALANCES, 1986 - 1987



Manufactures Trade

U.S. manufactures trade is even more highly concentrated than total trade, with the top 10 trading partners accounting for three-fourths of total U.S. manufactures trade. Canada took 27 percent of U.S. manufactures exports in 1987 (including U.S. undocumented exports to Canada) and provided 16 percent of manufactures imports (Figures 4.3 and 4.4). Japan provided 26 percent of U.S. manufactures imports, but took only 8 percent of U.S. exports of these goods.

Figure 4.3

SHARES OF U.S. MANUFACTURES EXPORTS BY DESTINATIONS, 1981 AND 1987

(Percent of Total)

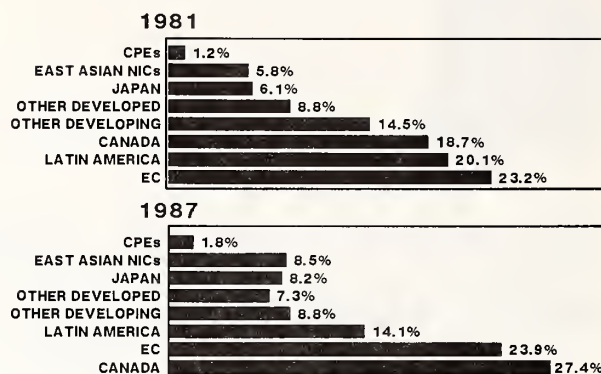
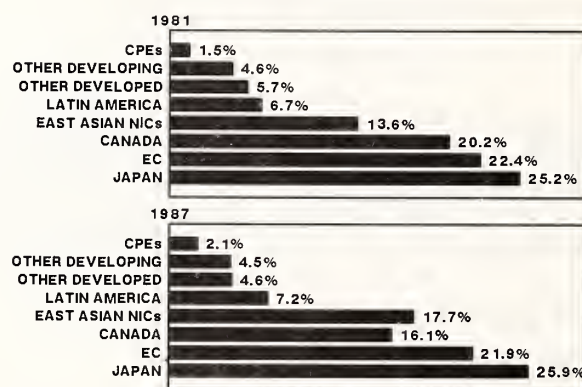


Figure 4.4

SHARES OF U.S. MANUFACTURES IMPORTS, BY ORIGIN, 1981 AND 1987

(Percent of Total)



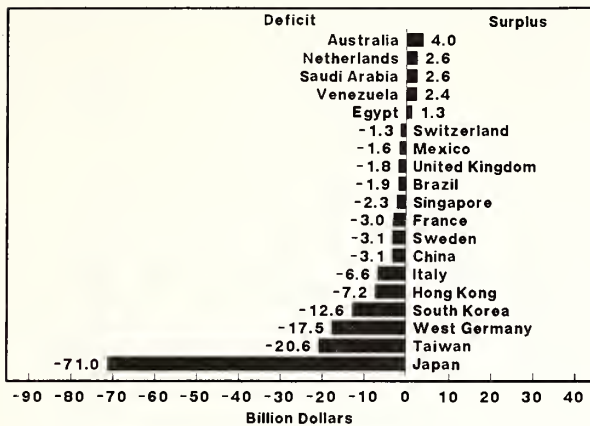
Important changes are occurring in the geography of U.S. manufactures trading patterns. In recent years, the relative roles of Canada, the European Community and Latin America have declined, while Japan and other Pacific Rim countries have become more important. Latin America's importance as a market for U.S. manufactures exports has declined significantly, from a 20 percent share in 1981 to only 14 percent in 1987.

Japan is by far the largest supplier to the United States of manufactured goods, but the role of other Asian countries also is large and growing rapidly. Indeed, in 1987, total U.S. manufactures imports from the four East-Asian NICs were over 80 percent as large as those from the EC-12. Canada's share of U.S. manufactures imports also has declined sharply—from about 20 percent in 1981 to 16 percent in 1987. These shifts in manufactures trade flows reflect several long-term trends that have important implications for future U.S. trade performance—for example, the worsened Latin American debt problem, and the increasing manufacturing abilities and export competitiveness of Asian countries and other LDCs.

The United States runs large bilateral manufactures imbalances with its major trading partners (Figure 4.5), but by far the largest is the \$71 billion 1987 deficit with Japan.

Figure 4.5

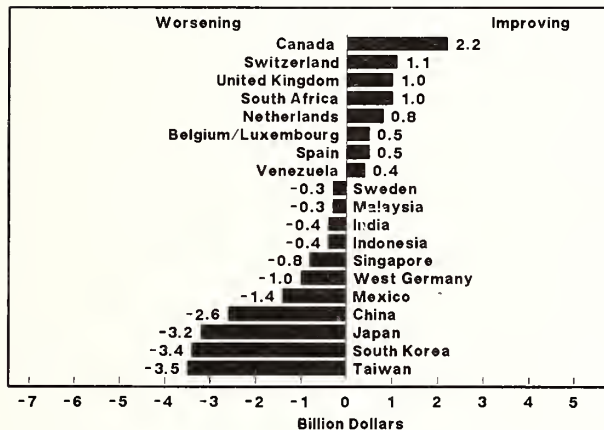
LARGEST U.S. SURPLUS AND DEFICIT MANUFACTURES BILATERAL BALANCES, 1987



The total U.S. manufactures trade deficit enlarged by \$9 billion in 1987. The largest increases were with Taiwan, South Korea, and Japan (Figure 4.6).

Figure 4.6

LARGEST CHANGES IN U.S. MANUFACTURES BILATERAL BALANCES, 1986-87



U.S.-Japan Trade

Total Trade

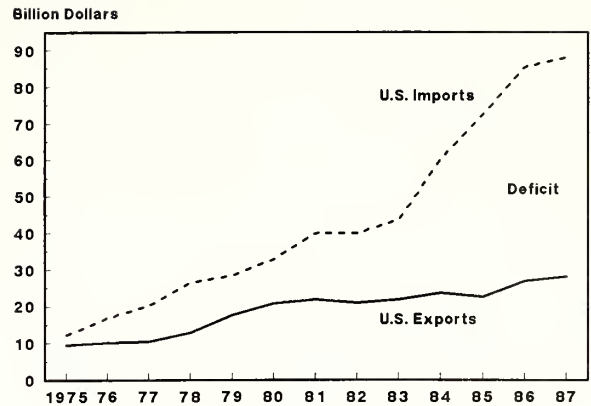
U.S.-Japan economic interdependence is very large and growing. In 1987, Japan continued to rely heavily on exports to the United States, which took 36 percent of Japan's total exports. Trade with the United States provided Japan with three-fourths of its total merchandise trade surplus in 1987.

The United States in 1987 continued to be Japan's largest supplier, providing 21 percent of Japan's imports. The U.S. share was up from 20 percent in 1985 and the 18 percent posted in 1981. Japan's share of U.S. imports reached a record in 1986 of 22 percent (up from 15 percent in 1981) and edged down to 21 percent in 1987.

The U.S. deficit on trade with Japan reached a record \$59.8 billion in 1987 (Figure 4.7). The deficit rose in 1987 despite a larger—5 percent—increase in U.S. exports to Japan than the 3 percent rise in imports from Japan because imports were three times larger than exports in value.

Figure 4.7

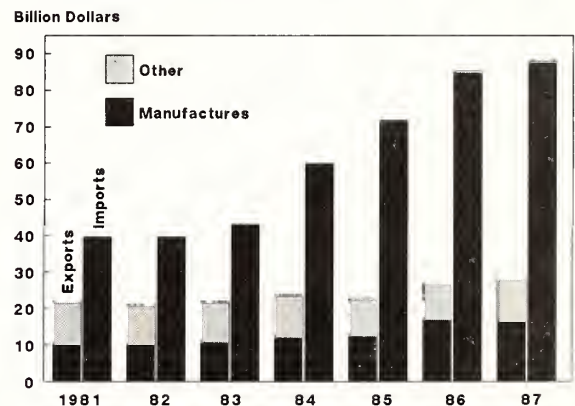
U.S. - JAPAN TRADE, 1975-87



U.S. trade with Japan is very asymmetrical in product composition. Less than two-thirds of U.S. exports to Japan is manufactured goods. The remainder is largely agricultural goods and primary commodities for which demand generally has grown more slowly (Figure 4.8). By contrast, virtually all U.S. imports from Japan are manufactured goods.

Figure 4.8

U.S. TRADE WITH JAPAN, 1981-87 (Manufactured & Other Goods)



Manufactures Trade

The U.S. deficit in manufactures trade with Japan reached \$71 billion in 1987, a \$3.2 billion (5 percent) enlargement over 1986. Large increases in U.S. imports occurred in a number of major items—particularly computers, other ADP equipment and parts, electronic components, and motor vehicles assemblies and parts (Table 4.2). The dollar value of U.S. imports of Japanese autos did not rise in 1987 for the first time in a decade, reflecting not only Japanese voluntary quotas on auto exports to the United States, but also the price effects of dollar depreciation. Growing production of autos by Japanese-owned companies in the United States contributed to increased U.S. imports of Japanese automotive parts and components.

Table 4.2
U.S.-Japan Trade in Selected Commodities, 1986-87
(Millions of dollars)

	1986	1987	1986-87 Change	
			Value	Percent
U.S. Imports, Total (general, c.i.f.)	\$85,457	\$88,074	\$2,617	3.1
Manufactures, total	84,736	87,354	2,618	3.1
Autos	22,768	22,753	-15	-0.1
Special purpose motor vehicles	5,122	4,441	-681	-13.3
Phonographs, TVs & sound recording equipment	5,961	4,130	-1,831	-30.7
Telecommunications equipment	4,018	4,006	-12	-0.3
Motor vehicles	3,123	3,928	805	25.8
Parts for office & ADP machines	2,763	3,815	1,052	38.1
ADP machines	2,868	3,600	732	25.5
Electronic components & parts	1,684	2,236	552	32.8
Radios (incl. with phono or tape recorder)	1,815	2,182	367	20.2
Electrical machinery	1,669	1,956	287	17.2
Office machines	1,920	1,732	-188	-9.8
U.S. Exports, Total (domestic & foreign, f.a.s.)	26,882	28,249	1,367	5.1
Wood logs, poles & posts	791	1,129	338	42.7
Corn	878	1,036	158	18.0
Meat	747	882	135	18.1
Soybeans & other oilseeds	855	802	-53	-6.2
Fish	635	728	93	14.6
Pulp & waste paper	415	573	158	38.1
Manufactures, total	16,876	16,319	-557	-3.3
Aircraft, spacecraft & parts (excl. engines)	1,831	1,907	76	4.2
Parts for office & ADP machines	732	934	202	27.6
ADP machines	746	877	131	17.6
Measuring & checking instruments	633	782	149	23.5
Organic chemicals & products	643	779	136	21.2
Medicinal & pharmaceutical products	636	684	48	7.5
Electronic components & parts	429	649	220	51.3
Nonmonetary Gold	3,339	1	-3,338	n.a.

U.S. exports of manufactures to Japan decreased in 1987 for the first time since 1982, reducing those exports to less than one-third U.S. manufactures imports from Japan. The \$0.5 billion U.S. export decrease was more than accounted for by the largely one-time 1986 U.S. export of \$3.3 billion in non-monetary gold to Japan. Excluding gold shipments, U.S. manufactures exports to Japan rose by 10 percent in 1986 and surged by 20 percent in 1987.

Trade in high-tech products has been an important factor in worsening the U.S.-Japan trade deficit. In 1986 U.S. high-tech goods imports grew by 17 percent to \$21.9 billion, and remained at that level in 1987, accounting for 37 percent of the total U.S. deficit with Japan (Figure 4.9).

East-Asian NICs

Total Trade

U.S. trade and economic interdependence with the four East-Asian NICs—Hong Kong, South Korea, Singapore and Taiwan—continues to increase. Their share of U.S. goods imports—14 percent in 1987—is very large relative to the size of their economies. Per dollar of GNP, East-Asian NICs export to the United States three times more than the EC-12.

In 1987, U.S. imports from these countries grew 25 percent, but U.S. exports to them increased even faster at 29 percent. However, the U.S. deficit with them increased by 22 percent to \$38 billion because the imports are nearly three times larger than the exports (Figure 4.10). U.S. imports from the East-Asian NICs reached a record level of \$61.3 billion in 1987, over two-thirds as large as those from Japan and the European Economic Community.

Figure 4.9

U.S. TRADE DEFICITS WITH JAPAN IN HIGH-TECH AND OTHER MANUFACTURES, 1981-87

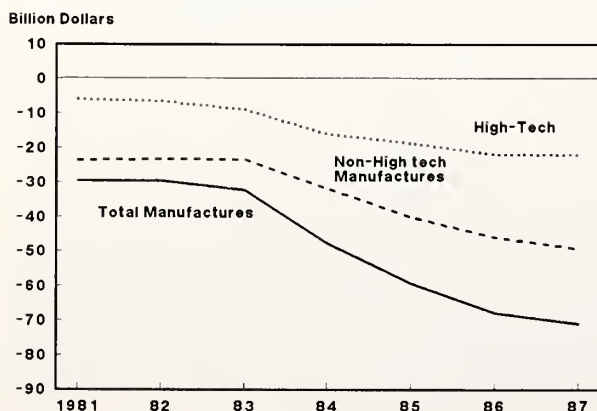
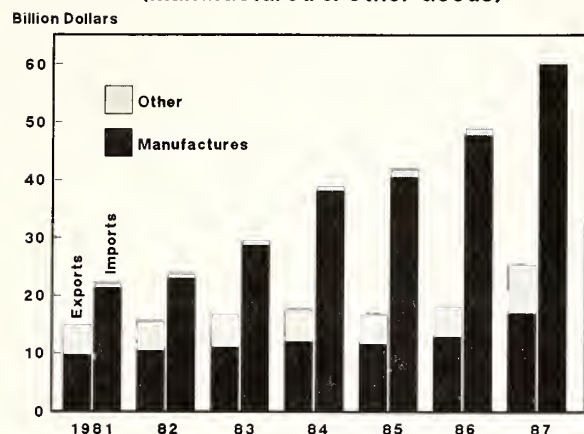


Figure 4.10

U.S. TRADE WITH EAST ASIAN NICs, 1981-87 (Manufactured & Other Goods)



The product composition of U.S. trade with the East-Asian NICs is more symmetrical than with Japan. U.S. imports are almost solely manufactures, while about three-fourths of the much smaller U.S. export total is manufactures.

Manufactures Trade

A rapidly rising portion of U.S. imports from these countries is high-tech or other products that in the

past have been produced almost wholly in only the advanced industrialized countries. In 1987 high-tech imports from the East-Asian NICs grew to almost \$18 billion, accounting for over one-fourth of total imports from these countries. U.S. high-tech imports from them were nearly three times those from Canada and slightly greater than those from the EC-12 (Figure 4.11).

Figure 4.11

U.S. IMPORTS FROM EAST ASIAN NICs, HIGH-TECH & NON-HIGH-TECH MANUFACTURES, 1978-87

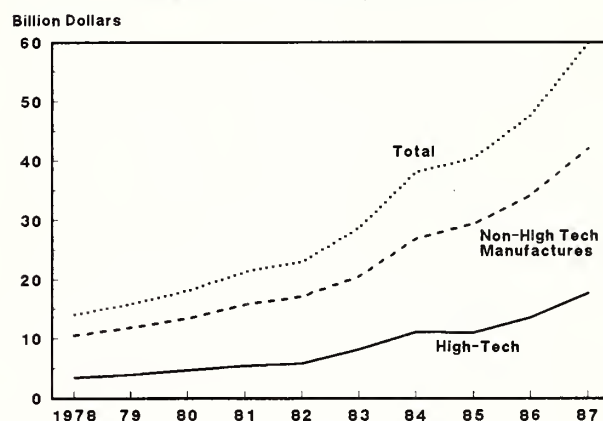


Table 4.3

U.S.-East Asian NICs Trade in Selected Commodities, 1986-87 (Millions of dollars)

	1986	1987	1986-87 Change	
			Value	Percent
U.S. Imports, Total (general, c.i.f.)	\$49,106	\$61,283	\$12,177	24.8
Manufactures, total	47,816	59,768	11,950	25.0
Footwear	3,921	4,549	628	16.0
Toys & sporting goods	3,043	3,746	703	23.1
Sweaters	2,882	3,072	190	6.6
Parts for office & ADP machines	2,220	3,032	812	36.6
Outerwear apparel	2,063	2,984	382	38.2
Telecommunications equipment	2,028	2,736	528	23.9
Electronic components & parts	1,730	2,246	516	29.8
ADP machines	1,443	2,029	776	53.1
Autos	854	2,193	1,339	156.8
Furniture & parts	1,261	1,562	301	23.9
Rubber & plastic articles	1,089	1,459	370	34.0
U.S. Exports, Total (domestic & foreign, f.a.s.)	18,290	23,547	5,257	28.7
Hides & skins	639	791	152	23.86
Corn	401	617	216	53.9
Soybeans & other oilseeds	566	613	47	8.3
Pulp & waste paper	368	490	122	33.2
Cotton	198	473	275	138.9
Tobacco manufactures	265	468	203	76.6
Manufactures, total	13,038	17,020	3,982	30.5
Electronic components & parts	1,530	2,017	487	31.8
Parts for office & ADP machines	865	1,260	395	45.7
Aircraft, spacecraft & parts (excl. engines)	1,195	1,108	-87	-7.3
Organic chemicals & products	767	1,082	315	41.1
Synthetic resins, rubber & plastics	512	813	301	58.8
ADP machines	474	631	157	33.1
Telecommunications equipment	445	626	181	40.7
Non-monetary gold	7	587	580	n.a.
Measuring & checking instruments	458	544	86	18.8

A noteworthy development in non-high tech trade was the surge in passenger car imports from South Korea, which were introduced into the U.S. market at the end of 1985. Within the three years since autos imports from South Korea began, they have become the single most important imported product from that country—rising from \$6.3 million in 1985 to \$2.2 billion in 1987.

Major U.S. exports to the East-Asian NICs include parts and components of office machines, electronic components, and organic chemicals and products (Table 4.3). In 1987 about \$3.3 billion of parts and components went to these countries for assembly into more finished products, a major share of which is reexported to the United States. These two-way movements reflect the increased tendency of U.S. manufactures to shift labor-intensive production and assembly operations abroad.

Canada

Total Trade

The U.S.-Canada trade relationship is the largest in the world and is producing a growing economic interdependence. In 1987, over 75 percent of Canada's total goods exports went to the United States and about 24

percent of U.S. exports went to Canada. Canada remained in 1987 the largest market for U.S. exports, and ranked second behind Japan as a source of U.S. imports.

Trade with Canada produced the fourth largest bilateral U.S. deficit in 1987—\$11.7 billion. The trade is relatively symmetrical in composition. The deficit with Canada declined by \$1.5 billion in 1987—the second annual decrease in a row. About 76 percent of U.S. imports and about 92 percent of U.S. exports were manufactured goods.

Manufactures Trade

The exact commodity composition of total exports to Canada are not clear at this point due to the lack of commodity detail for the reported \$6.4 billion undocumented U.S. exports to Canada in 1987, as well as large amounts in prior years. Those undocumented exports are reported by the U.S. Census Bureau in the aggregate under Schedule E, Section 9 as "other exports" and, therefore, in this report are wholly included as manufactures, although probably some of those exports actually are agricultural and other goods.

The U.S. manufactures deficit with Canada improved from a \$2.0 billion deficit in 1986 to a \$0.2 billion

Table 4.4
U.S.-Canada Trade in Selected Commodities, 1986-87
(Millions of dollars)

	1986	1987	1986-87 Change	
			Value	Percent
U.S. Imports, Total (general, c.i.f.)	\$68,662	\$71,510	\$2,848	4.1
Paper & paper board	4,465	5,099	634	14.2
Crude petroleum	2,946	3,418	472	16.0
Wood products	3,092	3,200	108	3.5
Natural gas	2,460	2,169	-291	-11.8
Pulp & waste paper	1,480	1,881	431	29.7
Manufactures, total	53,041	54,538	1,497	2.8
Autos	11,871	10,257	-1,614	-13.6
Parts of motor vehicles	4,915	5,155	240	4.9
Paper & paperboard	4,465	5,099	634	14.2
Special purpose motor vehicles	3,051	3,725	674	22.1
Aluminum	1,241	1,547	306	24.7
Internal combustion piston engines	1,006	1,156	150	14.9
Aircraft, spacecraft & parts (excl. engines)	1,310	1,119	-191	-14.6
Furniture & parts	1,010	1,030	20	2.0
Nonmonetary gold	2,443	868	-1,575	-64.5
U.S. Exports, Total (domestic & foreign, f.a.s.)	55,512	59,814	4,302	7.7
Coal	719	670	-49	-6.8
Manufactures, total	50,999	54,738	3,739	7.3
Motor vehicle bodies & chassis	6,259	7,105	846	13.5
Autos	5,854	5,769	-85	-1.5
Internal combustion piston engines	1,849	1,980	131	7.1
Trucks & special purpose motor vehicles	1,695	1,853	158	9.3
Parts of office & ADP machines	1,157	1,615	458	39.6
ADP machines	1,076	1,421	345	32.1
Synthetic resins & plastics	686	941	255	37.2
Electrical machinery & apparatus, nspf	705	875	170	24.1
Measuring, checking instruments	686	805	119	-17.3
Undocumented exports *	10,179	6,429	-3,750	-36.8

* No commodity detail is available; reported by U.S. Census under Schedule E, Section 9.

surplus in 1987 (Figure 4.12). The automotive sector is the largest sector in U.S.-Canada trade, accounting for about 32 percent of total bilateral trade in 1987 (Figure 4.13). About 95 percent of that automotive trade is duty free under the U.S.-Canada Automotive Products Trade Agreement (APTA).

Figure 4.12

U.S. TRADE WITH CANADA, 1981-87 (Manufactured & Other Goods)

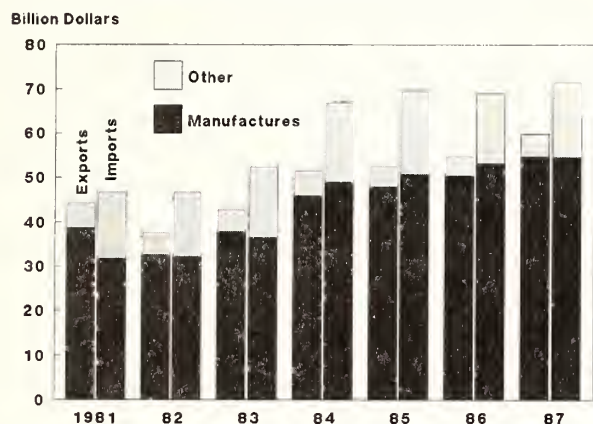
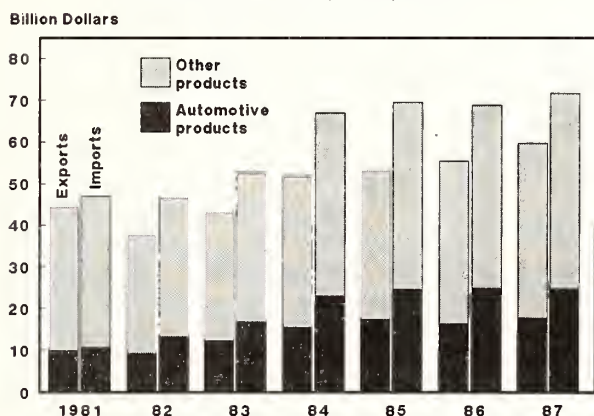


Figure 4.13

U.S.-CANADIAN TRADE IN AUTOMOTIVE AND OTHER PRODUCTS, 1981-87 (Exports and Imports, f.a.s.)



Nearly 90 percent of Canada's manufactures exports and a very large portion of its total manufactures output go to the United States. About one-fourth of all U.S. manufactures exports go to Canada. The United States is also a major market for Canadian crude materials and fuels (Table 4.4).

The importance of the U.S. market to Canada led the Canadians to propose in 1985 that the United States negotiate a comprehensive free-trade agreement. The draft agreement covers many bilateral trade aspects, including investment, subsidies, standards, and customs regulations. The draft was signed by the chief executives of both countries and as of Spring 1988 was awaiting approval by their national legislatures.

Latin America

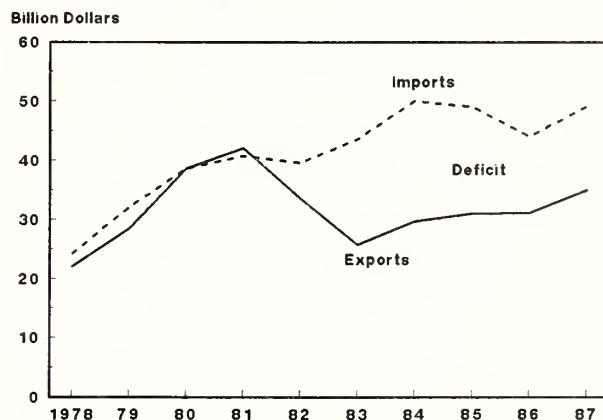
Total Trade

Latin America (Central and South America and the Caribbean) is highly dependent on the U.S. market for export earnings to service its international debts. In 1987 the United States took nearly one-half of Latin America's exports to countries outside the region. Latin America provided 12 percent of total U.S. imports in 1987, down from previous years' levels. Much of the decline was due to lower world oil prices. About 14 percent of total U.S. exports went to Latin America in 1987, down from the 1981 share of 18 percent. Mexico accounts for over 40 percent of U.S. trade with Latin America.

In 1987 the U.S. deficit on trade with Latin America was \$14 billion, a significant worsening over the \$13 billion 1986 level (Figure 4.14). The increase in the U.S. deficit with Latin America in 1987 was largely due to a rise in manufactures imports from the region. U.S. exports in 1987 rose by 12.6 percent while the larger imports rose by 11.3 percent. The U.S. deficit increase was accounted for mainly by deficit increases with Mexico and Brazil. Balances with most other countries in the region improved.

Figure 4.14

U.S. TRADE WITH LATIN AMERICA, 1978-87



U.S. deficits in trade with Latin America have made a significant contribution to the growth in the overall U.S. trade deficit. The deficits reflect the severe debt-servicing problems of many Latin American countries. Debt problems have forced many countries in the region to cut back on imports and mount export drives. In 1987, U.S. exports to the region of \$35 billion were still \$7 billion below their 1981 peak of \$42 billion. At the same time, in 1987 U.S. manufactures imports of \$24 billion were well over their 1981 level of \$10 billion, reflecting in part the success of Latin American export drives.

The composition of U.S. trade with Latin America is changing. In 1980 about 23 percent of U.S. imports were manufactures; by 1987 the share had risen to 49 percent (Table 4.5). The share of manufactures in U.S. exports to the region has held at 80 percent in recent years.

Table 4.5

U.S.-Latin America Trade in Selected Commodities, 1986-87
(Millions of dollars)

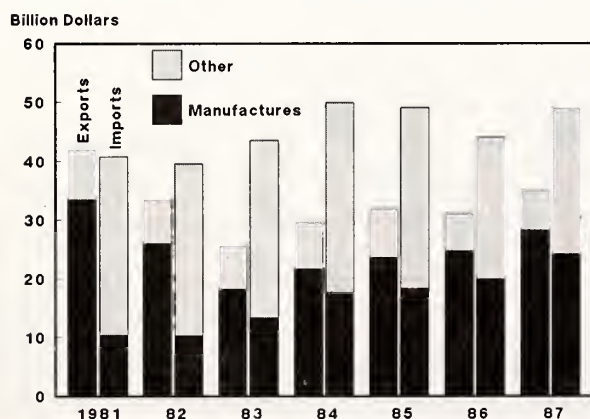
	1986	1987	1986-87 Change	
			Value	Percent
U.S. Imports, Total (general, c.i.f.).....	\$44,112	\$49,094	\$4,982	11.3
Crude petroleum.....	6,873	8,124	1,251	18.2
Refined petroleum products	4,764	4,869	105	2.2
Coffee	3,436	2,321	-1,115	-32.5
Fruits & nuts	1,557	1,742	185	11.9
Shellfish	1,149	1,324	175	15.2
Manufactures, total	20,053	24,344	4,191	20.9
Autos.....	436	1,431	995	228.2
Internal combustion piston engines	1,070	1,186	116	10.8
Footwear	975	1,128	153	15.7
Electrical wiring & other distribution equipment	809	1,146	337	41.7
U.S. Exports, Total (domestic & foreign, f.a.s.)	31,077	34,979	3,902	12.6
Refined petroleum products	789	1,130	341	43.2
Soybean & other oilseeds	372	495	123	33.1
Corn	377	459	82	21.8
Manufactures, total	24,816	28,262	3,446	13.9
Motor vehicle bodies & chassis	1,733	2,030	297	17.1
Aircraft, spacecraft & parts (excl. engines)	914	1,408	494	54.0
Organic chemicals & products	1,110	1,172	62	5.6
Telecommunications	956	1,106	150	15.7
Synthetic resins & plastics	849	1,049	200	23.6
Internal combustion piston engines	831	849	18	2.2
Parts of office & ADP machines	749	831	82	10.9
Electronic components & parts	663	743	80	12.1
Civil engineering & contractors equipment	886	714	-172	-19.1

Manufactures Trade

The financial difficulties of Latin American debtor countries have put great pressure on their manufactures trade, forcing import cuts and motivating expanded exports (Figure 4.15). The effects on the United States have been particularly significant. The U.S. manufactures trade surplus shrank with the region from \$21.4 billion in 1980 to \$3.9 billion in 1987—a \$17 billion deterioration.

Figure 4.15

U.S. TRADE WITH LATIN AMERICA, 1981-87 (Manufactured & Other Goods)



Of the \$24 billion of U.S. manufactures imports from the region in 1987, \$13.9 billion (57 percent) were from Mexico and \$5.2 billion (21 percent) from Brazil. A significant portion of the imports from Mexico were re-imports of U.S. exports to Mexico for assembly or further processing, largely done by the Mexican "maquiladora" assembly industry. Facing stiff price competition from imports from other low wage countries, U.S. firms increasingly have found Mexican assembly of U.S.-made parts and components attractive in holding down costs of U.S. manufactures and thereby increasing the ability of U.S. firms to compete successfully against foreign production.

European Community (EC-12)

Total Trade

U.S.-European Community merchandise trade flows are very large and have increased in relative importance since 1980. Twenty-four percent of U.S. exports went to the EC-12 in 1987, down from 27 percent in 1980; 20 percent of U.S. imports in 1987 were from the EC-12, up from 16 percent in 1980. Viewed from the EC-12 perspective, 21 percent of the group's 1987 exports to outside the EC went to the United States; 17 percent of the EC-12 imports from outside the group were from the United States.

The swing in the U.S.-EC-12 trade balance from large U.S. surpluses to large U.S. deficits has played an important role in stimulating economic growth in the region, especially during 1983-1985. The U.S. balance with the group has deteriorated markedly, by \$36 billion over the 1980-87 period.

In 1986, growth of the U.S. merchandise trade deficit with the EC-12 slowed—increasing by only \$4 billion—and in 1987 the deficit decreased by \$12 billion. The deficit decrease primarily reflected a 14 percent surge in U.S. exports, while the growth in imports slowed to 7 percent (Figure 4.16). After falling in 1985, U.S. exports to the EC rebounded in 1986 and 1987, largely as a result of the lower-valued dollar. Slow European economic growth has hampered the growth of U.S. exports to the region. The U.S. trade balance improved with almost all of the Economic Community countries in 1987—the only significant further deterioration was a 5 percent deficit increase with West Germany.

Figure 4.16

**U.S. TRADE WITH EC-12, 1981-87
(Manufactured & Other Goods)**

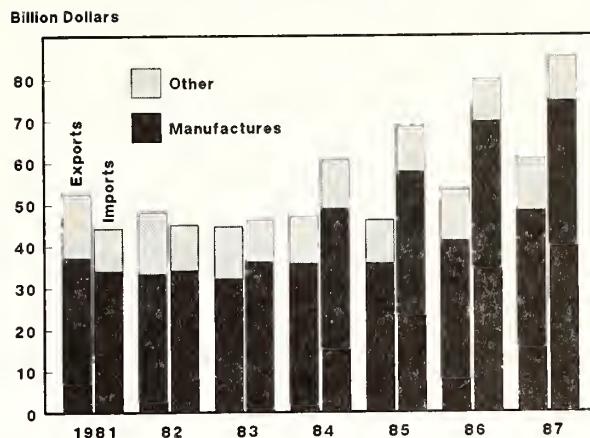


Table 4.6

**U.S.-EC-12 Trade in Selected Commodities, 1986-87
(Millions of dollars)**

	1986	1987	1986-87 Change	
			Value	Percent
U.S. Imports, Total (general, c.i.f.).....	\$79,520	\$84,876	\$5,356	6.7
Beverages, alcoholic	2,611	2,648	37	1.4
Crude petroleum	1,985	2,166	181	9.1
Refined petroleum products	1,939	2,079	140	7.2
Manufactures, total	69,144	74,023	4,879	7.1
Autos	9,690	11,121	1,431	14.8
Organic chemicals & products	2,565	3,076	511	19.9
Aircraft, spacecraft & parts (excl. engines)	2,426	2,590	164	6.8
Parts of motor vehicles	2,092	2,388	296	14.1
Specialized industrial machinery	1,586	1,694	108	6.8
Parts of internal combustion engines	1,533	1,613	80	5.2
Footwear	1,613	1,501	-112	-6.9
Precious & semiprecious stones & pearls	1,195	1,306	111	9.3
Iron & steel plates & sheets	1,382	1,227	-155	-11.2
Jewelry	1,303	1,218	-85	-6.5
Measuring & checking instruments	1,084	1,216	132	12.2
Furniture & parts	1,155	1,174	19	1.6
Parts for office & ADP machines	855	1,169	314	36.7
U.S. Exports, Total (domestic & foreign, f.a.s.)	53,154	60,575	7,421	14.0
Soybean & other oilseeds	2,106	2,152	46	2.2
Animal feedstuffs	1,545	1,517	-28	-1.8
Coal	1,615	1,279	-336	-20.8
Manufactures, total	40,774	47,884	7,110	17.4
Aircraft, spacecraft & parts (excl. engines)	4,137	4,979	842	20.4
Parts for office & ADP machines	3,705	4,425	720	19.4
ADP machines	3,497	4,198	701	20.0
Internal combustion engines	2,002	2,230	228	11.4
Measuring & checking instruments	1,937	2,108	171	8.8
Organic chemicals & products	1,407	1,726	319	22.7
Synthetic resins & plastics	1,131	1,290	159	14.1
Medicines	1,289	1,278	-11	-0.9
Electronic components & parts	1,043	1,216	173	16.6

Over 80 percent of U.S. trade with the EC-12 is in manufactures (Table 4.6). The portion of agricultural goods in U.S. exports to the region has declined from 19 percent in 1980 to 11 percent in 1987, reflecting mainly large decreases in the volume of agricultural exports to the EC.

Manufactures Trade

The reduction in the U.S.-EC trade deficit in 1987 was wholly due to the rapid growth of U.S. manufactures exports. The 1986 manufactures trade deficit with the region was \$28 billion, a \$35 billion negative swing from the 1980 U.S. surplus of \$7 billion. In 1987 U.S. manufactures exports surged forward with a 17 percent increase—two and one-half times the percentage increase in manufactures imports. Major export increases occurred in aircraft, ADP machines and parts, and organic chemicals.

OPEC

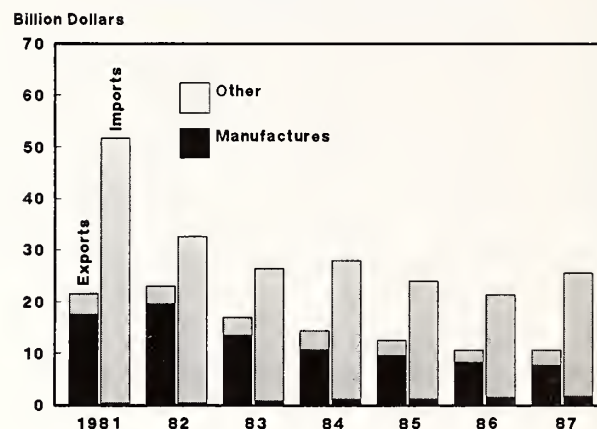
The U.S. trade deficit with the 13 OPEC countries shrank from \$12 billion in 1985 to \$11 billion in 1986. In 1987 the trend reversed, with a 39 percent deficit increase to \$15 billion, mainly due to a 33 percent rise in crude petroleum imports (Figure 4.17). Imports from the OPEC countries are mainly crude oil and petroleum products, while most U.S. exports to these countries are manufactures (Table 4.7).

In recent years, the U.S. deficit with these countries has been far lower than the 1980 peak of \$37 billion, reflecting lower volume and price of oil imports. Lower oil prices have markedly reduced OPEC income and purchasing power. OPEC imports of U.S. manufactures peaked at \$19 billion in 1982, but dwindling OPEC

surpluses and other factors reduced 1987 U.S. manufactures exports to these countries to \$8 billion, a 60 percent decline.

Figure 4.17

U.S. TRADE WITH OPEC, 1981-87 (Manufactured & Other Goods)



Centrally Planned Economies (CPEs)

The CPEs—The Soviet Union, the six countries of Eastern Europe, and the People's Republic of China (China) account for only a small share of total U.S. trade (2.2 percent of 1987 U.S. exports and 2.2 percent of imports). The United States posted a \$3.3 billion trade deficit with the CPEs in 1987. The 1986 and 1987 deficits ended a long string of U.S. trade surpluses with this group of countries (Table 4.8).

Table 4.7

U.S.-OPEC Trade in Selected Commodities, 1986-87 (Millions of dollars)

	1986	1987	1986-87 Change	
			Value	Percent
U.S. Imports, Total (general, c.i.f.).....	\$21,520	\$25,741	\$4,221	19.6
Crude petroleum	12,086	16,042	3,956	32.9
Refined petroleum products	5,069	5,332	263	5.2
Natural rubber	366	465	99	27.0
Shellfish	348	443	95	27.3
Wood veneer & plywood	326	415	89	27.3
Manufactures, total	1,750	1,946	196	11.2
U.S. Exports, Total (domestic & foreign, f.a.s.)	10,620	10,612	-8	-0.1
Wheat	639	431	-208	-32.6
Animal feedstuffs	247	270	23	9.3
Manufactures, total	8,264	8,149	-115	-1.4
Aircraft, spacecraft & parts (excl. engines)	1,105	477	-628	-56.8
Civil engineering & contractors equipment	597	447	-150	-25.1
Motor vehicle bodies & chassis	421	436	15	3.6
Autos	182	435	253	139.0
Telecommunications equipment	378	339	-39	-10.3

Table 4.8

U.S.-Trade with Centrally Planned Economies in Selected Commodities, 1986-87
(Millions of dollars)

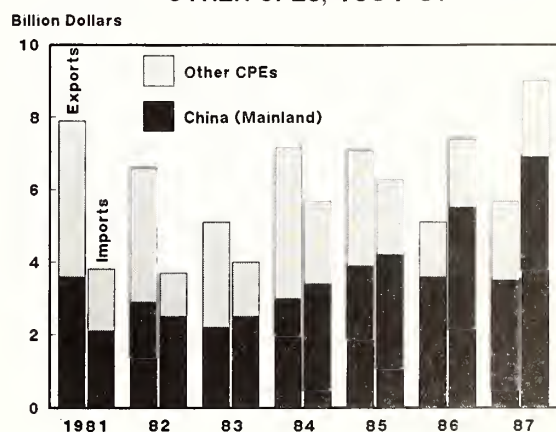
	1986	1987	1986-87 Change	
			Value	Percent
U.S. Imports, Total (general, c.i.f.)	\$7,448	\$9,032	\$1,584	21.3
Refined petroleum products	704	645	-59	-8.4
Crude petroleum	540	391	-149	-27.6
Manufactures, total	5,497	7,098	1,603	29.1
Outerwear apparel	752	813	61	8.1
Toys & sporting goods	420	790	370	88.1
Sweaters	527	626	99	18.8
Flat made-up textile articles	251	392	141	56.2
U.S. Exports, Total (domestic & foreign, f.a.s.)	5,127	5,714	587	11.4
Wheat	14	596	582	n.a.
Corn	370	529	159	43.0
Soybeans & other oilseeds	396	220	-176	-44.4
Lumber	179	165	-14	-7.8
Manufactures, total	3,602	3,622	22	0.6
Fertilizer	405	540	135	33.3
Aircraft, spacecraft & parts (excl. engines)	296	486	190	64.2
Synthetic resins & plastics	199	261	62	31.2
Measuring & checking instruments	271	229	-42	-15.5
Organic chemicals & products	105	170	65	61.9
Specialized industrial machinery	176	164	-12	-6.8

Over two-thirds of U.S. trade with the CPEs is with China. In 1987 the deficit with China jumped by 60 percent to \$3.4 billion, while the surplus with the USSR—the only significant U.S. surplus with CPEs—rose by over 50 percent to \$1.0 billion. Exports and imports with Eastern Europe in 1987 remained at their 1986 levels, continuing the \$0.9 billion deficit with this group.

U.S. manufactures exports to China had been expanding rapidly throughout the 1980s, reflecting in part liberalized U.S. export controls as well as an opening of the China market (Figure 4.18). In 1987 manufactures exports to China rose by only 3 percent, but manufactures imports from China rose by 41 percent, continuing their rapid rise over the past several years. Consequently, the 1985 U.S. manufactures surplus with China of \$300 million gave way to deficits of \$1.5 billion in 1986 and \$3.1 billion in 1987.

Figure 4.18

U.S. TRADE WITH CENTRALLY PLANNED ECONOMIES: CHINA (MAINLAND) AND OTHER CPEs, 1981-87





5

U.S. BUSINESS SERVICES TRADE

Private sector service industries—those businesses primarily involved in providing services as opposed to goods—accounted for nearly two-thirds of U.S. GNP in 1987, while manufacturing—the production of most goods—provided about one-fifth of total GNP. A relatively small portion of the business services produced by the private sector is, however, bought and sold internationally.

Internationally traded business services are grouped in this report into three categories: travel and transportation, proprietary rights, and other business services (Figure 5.1).⁶ Investment income (interest on loans, profit and dividend remittances from foreign affiliates to parent firms) is sometimes included in the broad category of “services” in balance-of-payments accounting, but is not a part of the “business services” group.

⁶ The terms used in this chapter to identify types of business services generally follow those used in U.S. balance-of-payments reporting. The major exception is the category “proprietary rights,” which is reported as fees and royalties in balance-of-payments terminology. The category “other business services” used herein is equivalent to other private services in U.S. balance-of-payments terminology.

Consistent with recent changes in balance-of-payments reporting, receipts of and payments for management, technical and related services between affiliate firms and their parents are included in Other Business Services. In ITA’s previous report on U.S. trade developments, *United States Trade Performance in 1985 and Outlook*, these receipts and payments were included in the Proprietary Rights category.

Figure 5.1

Types of Business Services in International Trade

Travel and Transportation

- **Travel:** Services provided to U.S. citizens traveling abroad (U.S. imports) and to foreigners visiting the United States (U.S. exports).
- **Passenger Transportation:** Transportation provided by foreign carriers to U.S. residents for transportation abroad (U.S. imports) and by U.S. carriers to foreign residents (U.S. exports).
- **Shipping Transportation:** Services involving freight movements and use of port facilities.

Proprietary Rights

- The use and sale of intangible property or rights (for example, fees and royalties paid for the use of copyrights, patents, processes, technology, etc.).

Other Business Services

- Construction, engineering, architecture, consulting, brokerage, communications and reinsurance, the provision of management, professional and technical services, research and development assessments, and other services (e.g., allocated overhead expenses; and other miscellaneous receipts and payments.)

NOTE: For more detailed descriptions of these and other types of service categories, see “U.S. International Trade and Investment in Services: Data Needs and Availability.” Bureau of Economic Analysis Staff Paper, September 1984 (BEA-SP8-4-041).

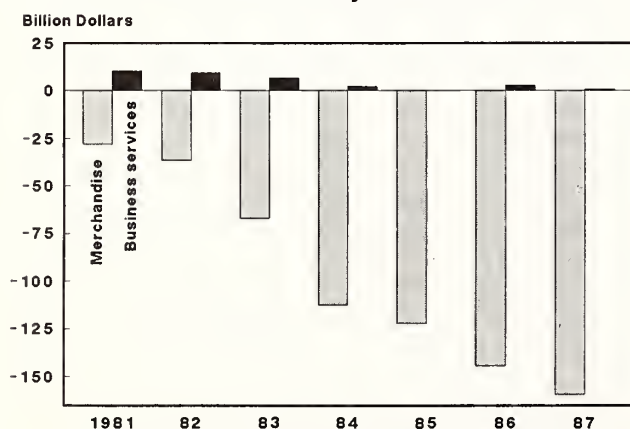
U.S. and foreign international business services trade data are generally not as comprehensive, detailed, and accurate as merchandise trade data, in large part because transactions in intangible services are more difficult to monitor than cross-border movements of goods. Indeed, business services trade valuation data are often estimates derived from samplings of receipts and payments for broad categories of services. These estimates are made primarily for balance-of-payments accounting purposes. Efforts to improve business services trade data are, however, being made.⁷

Overview of U.S. Business Services Trade

Business services trade has been important, but it is much smaller in total and balance than merchandise trade (Figure 5.2). In recent years, business services exports have been about one-fifth as large as merchandise exports; business services imports have averaged only about one-eighth as much as merchandise imports. Business services trade is also a considerably smaller factor in overall current account performance than international investment income, which has for many years provided substantial surpluses. (See Chapter 6 for a more detailed discussion of investment income.)

Figure 5.2

U.S. MERCHANDISE AND BUSINESS SERVICES BALANCES, 1981-87 (Balance-of-Payments Basis)



Within the business services group, the large travel and transportation category tends to dominate performance. Travel and transportation in 1987 accounted for almost two-thirds of total U.S. business services exports and for almost nine-tenths of total business services imports. Proprietary rights (fees and royalties for the use of technology, etc.) provided another 14 percent of business services exports. Exports of other business services were \$12.5 billion, about 22 percent

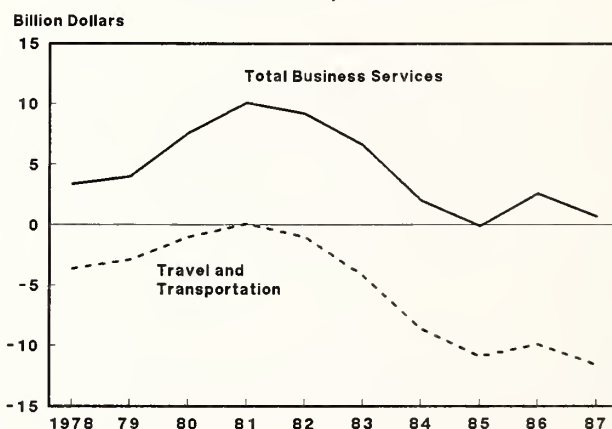
of total business services exports, and equivalent to less than 5 percent of U.S. merchandise trade exports. (See Appendix Table 39 for detailed data.)

The United States for many years ran a positive trade balance in the overall business services category, but the surplus declined rapidly between 1981 and 1984—and actually recorded a \$0.2 billion deficit in 1985 (Figure 5.3). The decline from the record \$10.2 billion surplus in 1981 was caused primarily by the very sharp deterioration in the travel and transportation balances. Slippages in this category and in the proprietary rights category more than offset some increases in net receipts from transactions in other business services.

Responding to the dollar depreciation that began in early 1985, business services trade returned in 1986 to a surplus of \$2.6 billion before falling to \$0.9 billion in 1987. Both exports (receipts) and imports (payments) have advanced strongly since 1985.

Figure 5.3

U.S. TOTAL BUSINESS SERVICES AND TRAVEL & TRANSPORTATION BALANCES, 1978-87



The United States is often perceived as having a comparative advantage in internationally traded private business services. But U.S. performance has been strong only in some categories of business services trade, not all of which produce large export receipts. The United States has been very competitive in many of the business activities included in the "other" business services category—construction, engineering, reinsurance, brokers' commissions, certain health care services, etc. The amount of trade in this category is, however, relatively small and its contributions to improving the current account are limited. More comprehensive data—that which include more systematic coverage of advertising, accounting, legal, medical, and other kinds of professional services—would probably increase somewhat the positive contribution of the other business services category to U.S. trade performance. Some estimates indicate potential improvement in the business services balance of as much as \$10 billion. Improved data (covering the year 1986) are expected to be available during the second half of 1988.

The United States also has traditionally registered large net receipts from transactions involving proprietary rights—fees, royalties, and other receipts derived mostly

⁷ A special Benchmark Survey on services trade by the Bureau of Economic Analysis (BEA), U.S. Department of Commerce, is underway and data for 1986 are expected to be published in the latter part of 1988. This survey is being conducted pursuant to the amended provisions of the International Investment and Trade in Services Survey Act. BEA expects to update this data annually using sample surveys.

from long-established relationships between U.S.-based parent firms and their affiliates abroad. Increasingly, however, U.S. firms are buying more foreign technology as the portion of world patents held abroad increases.

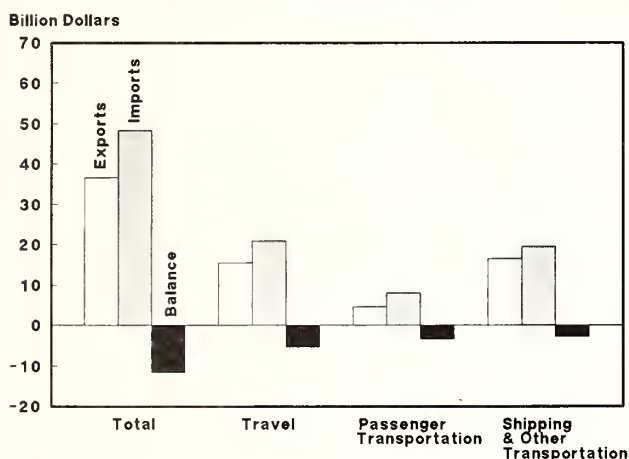
Recent Performance

Travel and Transportation

The travel and transportation group—travel, passenger transportation, and shipping and other transportation—has typically produced U.S. deficits, especially in periods marked by a strong dollar and strong growth in the U.S. economy (Figure 5.4 and Appendix Table 39).

Figure 5.4

COMPOSITION OF U.S. TRADE IN TRAVEL AND TRANSPORTATION SERVICES, 1987

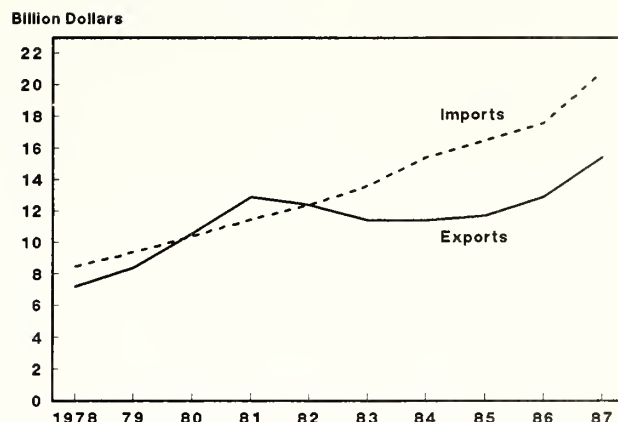


Except in 1981, the United States experienced combined travel and transportation deficits every year since 1960. In 1987, balances in the sub-categories of travel, and shipping and other transportation reached new lows, resulting in a record combined travel and transportation deficit of \$11.6 billion. The high value of the dollar in recent years played a key role in enlarging this deficit. The strengthening dollar through early 1985 improved the price advantage of tourism services in many foreign countries, especially the major developed nations, but the decline in the dollar exchange rate since then has not yet resulted in any major decline in U.S. travel abroad or the use of foreign carriers.

Travel. The 19 percent growth in 1987 travel service exports—expenditures in the United States by foreign tourists and businesses—resulted in record receipts of \$15.4 billion. Import growth (spending abroad by U.S. tourists and business travelers), however, exceeded the \$2.5 billion growth in travel service exports, resulting in a deficit increase to \$5.4 billion in 1987 (Figure 5.5).

Figure 5.5

U.S. TRAVEL SERVICES EXPORTS AND IMPORTS, 1978-87

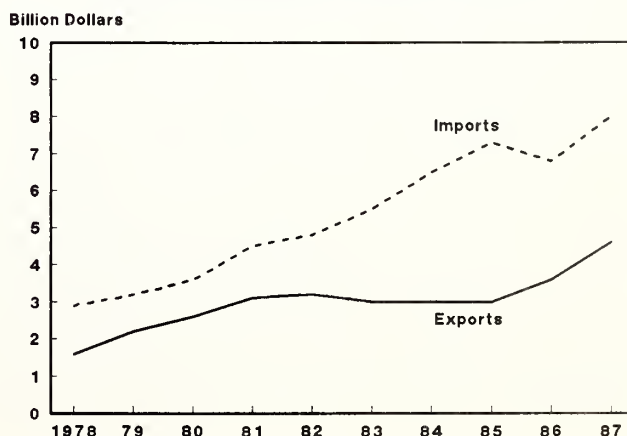


The depreciation of the dollar beginning in early 1985 has been a significant factor in the growth in travel service exports since 1985. The dollar decline has lowered costs for foreigners traveling in the United States and increased U.S. dollar costs for U.S. citizens traveling abroad. Nevertheless, more than one-third of U.S. international travel receipts and payments reflect transactions with Canada and Mexico—countries whose currencies remain relatively stable in relation to the U.S. dollar.

Passenger Transportation. The U.S. deficit in passenger transportation services declined markedly in 1986 and to less than \$3.3 billion, but expanded somewhat in 1987 to \$3.4 billion (Figure 5.6). U.S. passenger transportation exports—primarily fares paid by foreign residents to U.S. airlines—were relatively stable over the period 1981-85 but increased 17 percent in 1986, and over 30 percent in 1987, reaching \$4.6 billion. Passenger transportation imports—primarily fares paid by U.S. residents to foreign airlines—fell noticeably in 1986 after many years of consistent gains, but increased almost 18 percent in 1987 to a record \$8.0 billion.

Figure 5.6

U.S. PASSENGER TRANSPORTATION EXPORTS AND IMPORTS, 1978-87

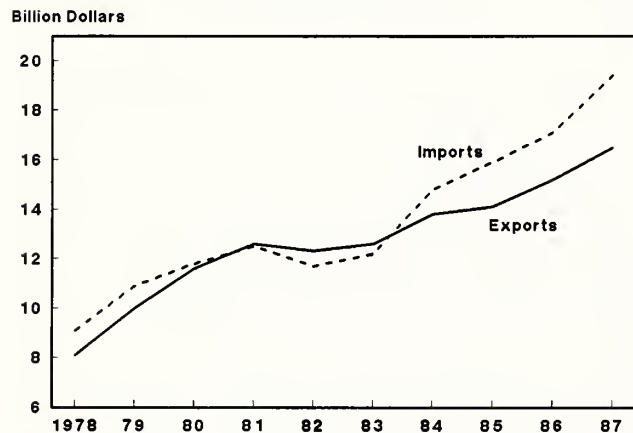


Two factors strongly affect the balance in this account: the number of U.S. versus foreign travelers and whether they select U.S. or non-U.S. carriers. The 1987 deficit increase appears to have reflected a substantial increase in the number of U.S. residents using foreign carriers.

Shipping and Other Transportation. U.S. performance in this category has deteriorated steadily over the last five years. In 1982 the United States earned a surplus of \$0.6 billion; in 1987 the deficit was \$2.8 billion (Figure 5.7).

Figure 5.7

U.S. SHIPPING AND OTHER TRANSPORTATION SERVICES, 1978-87



Port services provided in the United States to foreign shipping companies and airlines—a U.S. export—have expanded in each of the last 4 years, consistent with the rapid growth in U.S. merchandise imports. Freight receipts of U.S. carriers from foreign parties advanced almost 8 percent in 1986 and 9 percent in 1987, well above growth rates earlier in the 1980s.

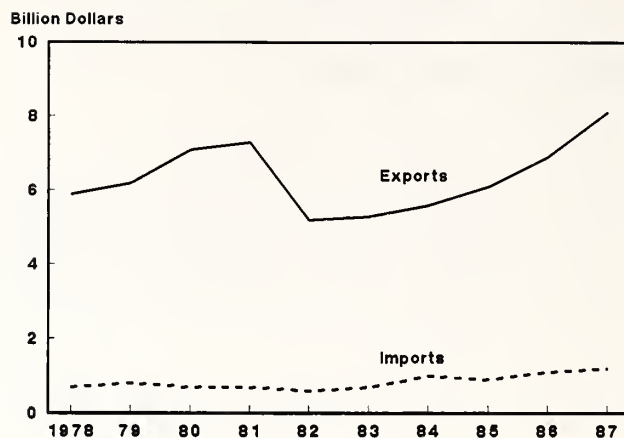
U.S. payments for shipping and other transportation have increased by an annual average rate of 12 percent over the 1983-87 period, again largely as a result of the growth in U.S. goods imports. Increased freight payments to foreign carriers for both ocean and air shipping services have accounted for most of the increase. Until 1987, sluggish U.S. export performance held U.S. payments for port services abroad relatively constant.

Proprietary Rights

U.S. trade in proprietary rights—shown in U.S. balance-of-payments data as “fees and royalties”—has recorded increasing surpluses in each of the last four years. U.S. receipts from exports of proprietary rights increased some 18 percent in 1987, reaching a record \$8.1 billion. (See Appendix Table 39 for detailed information.) Some 69 percent of U.S. receipts by U.S. multinational corporations (MNCs) of royalties and license fees came from their affiliates abroad. U.S. payments for proprietary rights were only \$1.2 billion, resulting in a surplus of about \$6.9 billion in 1987 (Figure 5.8).

Figure 5.8

U.S. PROPRIETARY RIGHTS SERVICES EXPORTS AND IMPORTS, 1978-87



The much larger U.S. receipts for exports than payments for imports of proprietary rights reflect in large part the long-standing position of the United States as a large net exporter of technology and know-how. It also stems from both the larger stock and longer established presence of U.S. direct investment abroad compared to foreign direct investment in the United States (FDIUS). FDIUS has grown rapidly in recent years and has about reached the \$250 billion mark in book value terms, equal to about 84 percent of the book value of U.S. direct investment abroad. But the earning power of U.S. direct investment is much greater than that of foreign direct investments in the United States. The book value of generally older U.S. direct investments abroad substantially understates their real value compared to the newer direct investments in the United States.

Net payments of fees and royalties by U.S. affiliates to foreign parents have remained very low. Payments of fees and royalties by U.S. affiliates to their foreign parents have been largely offset by fee and royalty receipts by U.S. affiliates from their parent firms. This indicates that foreign-owned U.S. affiliates are being compensated for substantial amounts of technology and other services sold to their parents abroad.

The modest growth in U.S. receipts for proprietary rights between 1982 and 1985 was consistent with the economic recovery of major foreign economies. The large increase in the dollar exchange rate over the 1981-85 period probably reduced to some extent the dollar value of these net receipts to the United States—at least to the extent these receipts were denominated in currencies that depreciated vis-a-vis the U.S. dollar. The far more rapid increase in U.S. receipts during 1986 and 1987 undoubtedly reflected in part the fact that fees and royalties denominated in major foreign currencies translated into larger amounts of U.S. dollars.

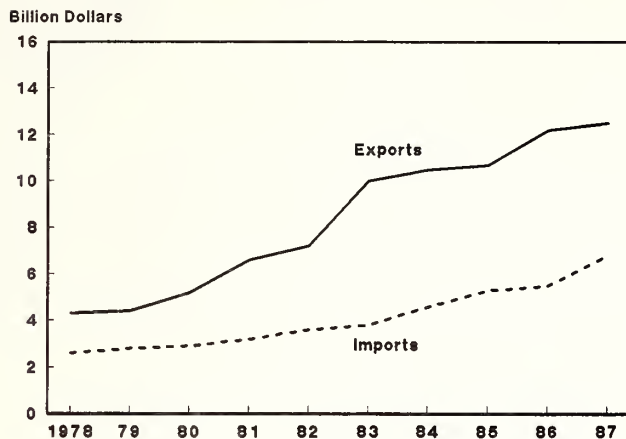
Other Business Services

The U.S. surplus in other business services fell in 1987 to \$5.6 billion, after reaching a record \$6.7 billion in 1986 (Figure 5.9 and Appendix Table 39). This category includes professional and other services in which the

United States is often seen as having a strong comparative advantage, as well as managements fees paid by affiliates to their parents abroad.

Figure 5.9

OTHER U.S. BUSINESS SERVICES EXPORTS AND IMPORTS, 1978-87



U.S. exports of other business services in 1987 totaled \$12.5 billion, more than one-fifth of total business service receipts. About one-quarter of these export receipts, however, were for "miscellaneous" services—mostly expenditures of foreign governments and international organizations in this country as well as trade union receipts from Canadian affiliates and expenditures of foreign residents employed in the United States. In 1985, for example, U.S. receipts from exports of communications services, contractors' fees, film rentals, re-insurance and other financial services, management services, commissions, etc. totaled only about \$7.5 billion, less than 3 percent of combined merchandise and business services exports.⁸

Moreover, while exports of other business services will likely increase, they are not likely to become a major export earner because the net "value added" that accrues to the exporting nation from such exports is limited. U.S. receipts for exports of many types of other business services reflect only the "net export" or the "U.S. value added" portion of what may have been much larger sales transactions. The U.S. value added of these exports is limited since much of the gross value of exports of professional and other business services is frequently payments to foreign suppliers and employees and other foreign recipients. Such expenditures do not return to the United States as receipts, holding down the U.S. value added in some business services. For example, only a small portion of the premiums of a large insurance policy sold by a firm located in the United States to a foreign buyer would likely appear as a business services receipt. After international re-

insurance, payments to foreign-based employees, settlement of foreign claims, etc., the U.S. "export" recorded in the other business services account would be only a very small portion of the original amount of the insurance premium.

U.S. imports of other business services consist primarily of communications services—most of the 1987 total of \$6.8 billion. In fact, the United States consistently runs a substantial deficit in communications services trade. It is noteworthy that U.S. affiliates with foreign parents generate net receipts with their parents for management services and other activities. Thus, the \$0.8 billion total for 1987 represents a corresponding reduction from total imports for other business services (\$7.6 billion).

The Importance of Business Services

As noted above, U.S. business services trade is substantial—\$113 billion in two-way trade for 1987—and continues to grow. But such trade is only about one-sixth as large as U.S. merchandise trade. Moreover, the United States generally records a deficit in travel and transportation—the dominant category of business services trade—and long-standing favorable balances in proprietary rights may start to decline as foreign direct investment in the United States grows more rapidly than U.S. direct investment abroad. Surpluses in other business services are significant, but the balance does not change much year-to-year relative to changes in the balances for merchandise trade and international investment income.

The 1987 business services trade surplus of \$0.9 billion was minor compared to the \$159 billion merchandise trade deficit (balance-of-payments basis). Thus, even greatly improved performance in business services trade would be only a small factor in overall U.S. current account performance.

Nevertheless, the United States has an important policy interest in improving the international environment for trade in business and other services. The General Agreement on Tariffs and Trade (GATT) was created to deal with international trade in merchandise. The GATT has served the international trade community well. Average tariff rates around the world have reached unprecedented low levels. There are, however, significant non-tariff barriers (NTBs) that should be reduced or eliminated and there has been general recognition that the GATT could provide a good framework for addressing business services trade barriers as well as international direct investment issues.

The United States has successfully pushed for the inclusion of business services and international direct investment matters in the Uruguay Round of multilateral trade negotiations. An improved commercial environment for internationally traded services would not only benefit U.S. business service exporters, but would benefit the global economy as well.

⁸ It is believed that the existing gaps in data collection procedures are particularly relevant to U.S. trade in professional and related services.





THE U.S. CURRENT ACCOUNT, CAPITAL FLOWS, AND INTERNATIONAL INVESTMENT POSITION

The U.S. current account, the broadest measure of U.S. international transactions, is balanced by offsetting net capital flows that determine changes in the U.S. international investment position (IIP). But international capital flows increasingly appear to have been determining, rather than passively reacting to, U.S. trade flows; the increasing foreign demand for U.S. financial and real property assets relative to foreign assets (or U.S. goods) has had a major effect on U.S. trade flows.

The contribution to current account performance of investment income flows, U.S. Government services, and unilateral transfers is given special attention in this chapter. The effects of current account imbalances and compensating capital flows are also examined.

Current Account, Capital Flows and IIP Linkages

The current account measures a nation's overall balance on specified external transactions during a stated period.⁹ A current account surplus indicates a nation is producing more than it is consuming and exporting the difference; a current account deficit means it is consuming more than it is producing and importing the shortfall.

The current account is also a measure of a nation's net borrowing or lending abroad and matching inter-

national capital flows. Current account deficits represent borrowing financed by net capital inflows to the deficit nation; surpluses reflect lending abroad matched by net capital outflows. The resulting net international capital movements change a nation's IIP—the balance of the stock of its international assets and liabilities.

The net borrowing reflected in current account deficits and the accompanying net capital inflows have rapidly transformed the IIP of the United States from the largest creditor position of any nation in 1981 to the largest debtor position of any nation by year-end 1986.

The 1987 current account deficit was equivalent to 3.6 percent of the U.S. GNP. At year-end 1986 the accumulated negative net IIP was about 6 percent of GNP. By year-end 1987 it is estimated that the U.S. negative net IIP was probably about 9 percent of GNP.

The current level of U.S. international debt is not a problem, given U.S. debt servicing abilities. Indeed, some argue that U.S. international debt could grow indefinitely, so long as it grows more slowly than debt servicing capacity, which is often seen as related to a country's GNP. In addition, since this debt is denominated in our own currency, U.S. international transactions related to U.S. debt have relatively little effect on currency markets.

But recent additions to the U.S. debtor position have far outpaced GNP growth, and the debt-to-GNP ratio will continue to rise as long as large current account deficits and increases in the debtor position continue. Large net capital flows into the United States could maintain large trade deficits for some time, but no nation—including the United States—can indefinitely sustain continuing increases in the ratio of external debt to GNP.

⁹ The current account balance is the most inclusive measure of the balance on U.S. international transactions presently compiled by the U.S. Government. It represents the differences between the value of exports and imports of merchandise (goods), "services" ("services" here is used in the broad sense, that is, it includes business services, investment income, and other transactions), and unilateral transfers. Previously, U.S. international transactions were reported as the U.S. balance of payments and included balances incorporating capital flows as well as current account items.

Composition of the U.S. Current Account

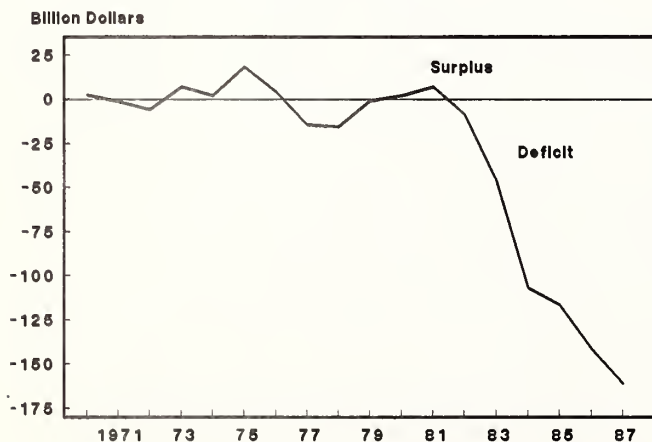
U.S. performance in international transactions can be assessed by examining each of five major current account categories: merchandise trade, business services trade, international investment income, "other international transactions," and unilateral transfers.

Throughout most of the post-World War II period the United States experienced current account surpluses generated in large part by positive balances in its merchandise trade (measured on a balance-of-payments basis). The United States ran merchandise trade surpluses every year between 1946 and 1969, accompanied by current account surpluses in all but three of those years (1950, 1953, and 1959). During this period the cumulative merchandise trade surplus approached \$100 billion, and the cumulative current account surplus exceeded \$55 billion.

U.S. merchandise trade performance deteriorated through the 1970s and into the 1980s, and merchandise trade deficits became the rule. Until 1982, however, positive balances in business services trade and net receipts of investment income served to offset frequent merchandise trade deficits, so that the cumulative 1970-81 current account balance was slightly positive (Figure 6.1).

Figure 6.1

U.S. CURRENT ACCOUNT BALANCES, 1970 - 1987

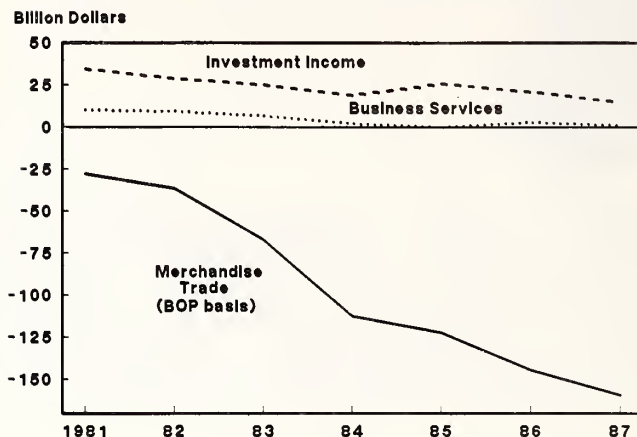


But since 1982, U.S. merchandise trade deficits have overwhelmed the much smaller business services trade and international investment income surpluses (Figure 6.2). Moreover, there has been a marked deterioration in recent years in the traditionally positive U.S. business services trade account (see Chapter 5) and in net receipts of investment income, which peaked at \$34 billion in 1981, but declined to less than \$15 billion in 1987.

Detailed discussions of developments in U.S. merchandise trade are included in several chapters of this report. Business services trade is reviewed in Chapter 5. In addition to goods and business services trade, the U.S. current account includes three additional primary categories discussed in this chapter—U.S. international investment income, a group of miscellaneous items termed *other transactions*, and *unilateral transfers*

Figure 6.2

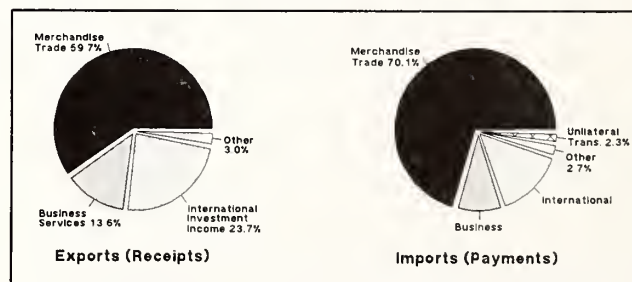
U.S. MERCHANDISE TRADE, BUSINESS SERVICES, AND INVESTMENT INCOME BALANCES, 1981-87 (Balance-of-Payments Basis)



(Figure 6.3). These categories have played important—but secondary—roles in U.S. current account trends. A look at these categories provides insights into their contribution to recent current account performance and what role they can be expected to play in the future.

Figure 6.3

MAJOR U.S. CURRENT ACCOUNT COMPONENTS 1987



U.S. International Investment Income

U.S. international investment income is the balance of receipts from U.S. holdings of foreign assets and U.S. payments to foreign holders of U.S. assets. The three basic forms of international investment assets and liabilities and the types of income and payments are:

- **Direct investment:** ownership/control of 10 percent or more of foreign business enterprises (income receipts from U.S. direct investment abroad; income payments to foreigners for direct investments in the United States).
- **Other private investments:** privately held "portfolio" investments (stocks, bonds, bank deposits, loans, annuities, etc.); income receipts by U.S. holders of foreign portfolio items; income payments to foreigners on U.S. portfolio items, and
- **U.S. Government:** income receipts on foreign securities, loans, currency holdings or other assets held by the U.S. Government; income payments

by the U.S. Government on foreign-held U.S. Government securities and other liabilities.

International investment income has become an increasingly important factor in U.S. current account performance. International investment receipts as a proportion of total receipts from international transactions (goods, business services, international investment receipts, and "other transactions") increased from 17.5 percent in 1977 to 25 percent in 1985, before falling to 24 percent in 1986 and 1987. International investment payments rose from 7.3 percent to some 15 percent of total transaction payments over the same period. The increasing roles of international investment receipts and payments in the current account reflect the cumulation over many years of a large stock of U.S.-owned foreign assets and the recent rapid increase in foreign-owned U.S. assets. Other private investment is the largest of the three types of international investment items, accounting in 1987 for almost half of total investment receipts and about 57 percent of total investment payments (Table 6.1).

Table 6.1

**U.S. International Investment Income by Type,
1987
(Billions of dollars)**

	Receipts	Payments	Net Receipts
Direct Investment	\$47.9	\$12.6	\$35.3
Other Private Investments	46.5	48.6	— 2.1
U.S. Government	5.3	24.0	— 18.7
Total.....	\$99.8	\$85.3	\$14.5

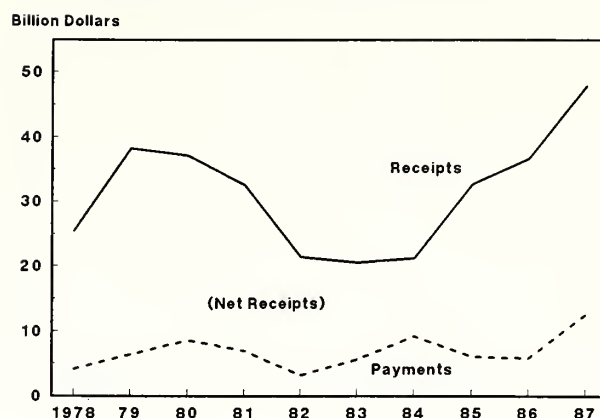
Source: Bureau of Economic Analysis.

Direct Investment Receipts and Payments. The United States has consistently realized large net receipts from international direct investments. The surplus in this account category reflects the fact that U.S. direct investment abroad is larger and more mature than foreign direct investment in the United States. Net receipts increased rapidly during the 1970s, reaching \$31.8 billion in 1979 as foreign affiliates of U.S.-based multinational corporations realized record profits (Figure 6.4). Over the next 5 years, however, these direct investment net earnings dropped to \$12.0 billion in 1984¹⁰ reflecting both slowed economic activity abroad and the currency translation effects of the dollar appreciation. These net receipts recovered strongly in 1987, reaching a record \$35.3 billion, reflecting in large part significant currency translation gains.

¹⁰ Income earned by U.S. multinational corporations and other U.S. investors abroad is normally earned and initially reported in local currencies. Thus, changes in the dollar exchange rate have a direct effect on income of the parent firm as reported when converted from local currencies to dollars.

Figure 6.4

**U.S. DIRECT INVESTMENT INCOME,
RECEIPTS AND PAYMENTS, 1978-87**



Payments to foreigners for direct investments in the United States have been relatively small. Large fluctuations in receipts from U.S. direct investment abroad have been largely responsible for rather wide swings in net income in this account. Direct investment receipts grew steadily in the 1970s, peaking at an average of almost \$38 billion in 1979 and 1980. After declining to an average of \$21 billion for the period 1982-84, U.S. direct investment receipts increased rapidly over the next 3 years—the 1987 total of \$47.9 billion representing a new record.

Two factors apparently accounted for a large portion of the decline during the period 1981-84.¹¹ First, profits of U.S. affiliates abroad were adversely affected by the economic slowdown in most developed countries and several important LDC debtor nations. Second, appreciation of the dollar over the period resulted in a negative effect on dollar earnings—that is, foreign currency earnings translated into smaller and smaller U.S. dollar values. The rapid gains since 1984 reflect in large part a reversal of these factors.

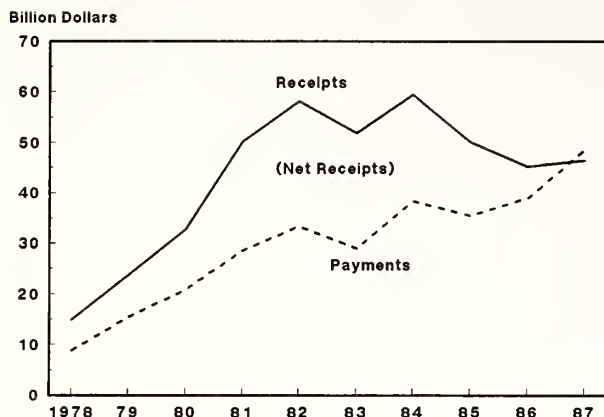
Other Private Investment—Net U.S. receipts on other private international investment grew strongly during the 1970s, peaking at \$24.6 billion in 1982 (Figure 6.5). Faster growth in foreign private holdings in the United States since 1982, however, has resulted in a reversal to a net payment position of \$2.1 billion in 1987.

U.S. receipts on other private investments increased more than fourfold between 1977 and 1982, reflecting increased foreign interest payments on both higher levels of U.S. bank lending abroad and increases in global interest rates. These receipts peaked in 1984 and have since declined as a result of lack of growth in the stock of bank lending and other U.S. private portfolio investment abroad and the general decline in interest rates.

¹¹ Income receipts and payments include income reinvested by U.S. affiliates abroad, and by foreign affiliates in the United States. Thus, total U.S. income receipts generally far exceed the income actually repatriated to the United States—reinvested earnings have averaged about 40 percent of the total in recent years. These reinvested earnings are recorded as outflows in the capital account.

Figure 6.5

OTHER PRIVATE INVESTMENT RECEIPTS & PAYMENTS, 1978-87

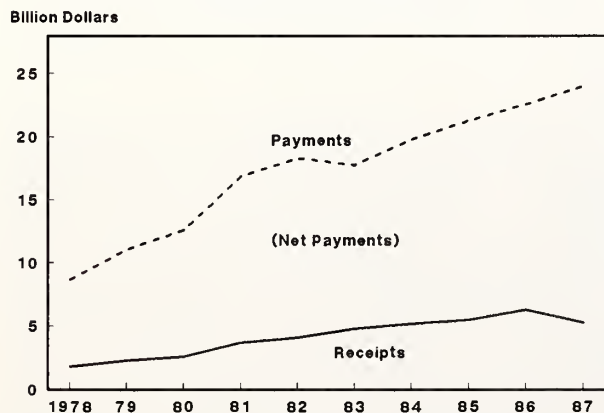


Payments to foreigners on other private investments have, in contrast, grown rapidly in recent years, reflecting the continuing expansion of foreign-owned private assets in the United States and relatively high U.S. interest rates early in this decade. The general decline in U.S. interest rates through 1986 resulted in 1986 payments that barely exceeded the previous 1984 record level despite the continued growth in foreign ownership of U.S. private assets. In 1987, however, payments advanced almost 25 percent reaching a record \$48.6 billion.

U.S. Government—Net U.S. Government payments to foreigners on U.S. Government securities have consistently increased more rapidly than receipts from U.S. Government-owned foreign assets over the last several years, reaching a record \$18.7 billion in 1987 (Figure 6.6). The slower growth in receipts reflects the fact that foreign holdings of U.S. Government securities have increased more rapidly than U.S. Government-owned foreign assets. By 1987, foreign holdings of U.S. Government securities had a book value more than twice that of U.S. Government holdings of foreign assets.

Figure 6.6

U.S. GOVERNMENT INCOME PAYMENTS & RECEIPTS, 1978-87



The United States in recent years has encouraged foreign purchases of U.S. Government securities, including special arrangements with the major oil

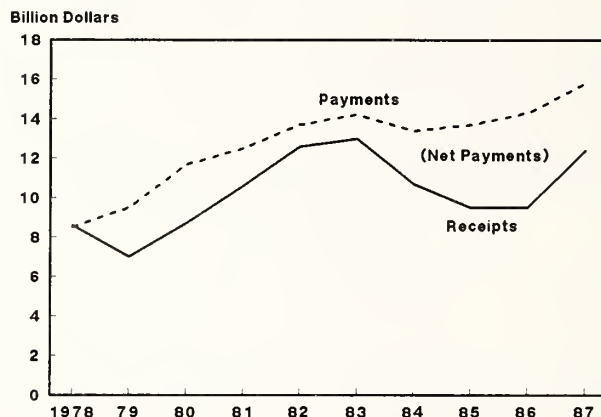
exporting countries during the 1970s and, more recently, by direct marketing abroad. Most U.S. Government holdings of assets abroad consist of relatively low-interest foreign assistance and trade credit loans. The low return on these assets contributes to the fact that U.S. Government receipts typically total only about one-quarter the value of U.S. Government payments.

Other International Transactions

In this report, the current account category titled "other transactions" refers to military and U.S. Government services transactions. Since 1978 net payments in this category have averaged about \$3 billion annually (Figure 6.7).

Figure 6.7

OTHER GOODS AND SERVICE RECEIPTS & PAYMENTS, 1978-87



Military Transactions—Net military transactions are the receipts from U.S. exports under military sales contracts, less U.S. direct defense expenditures abroad. The United States has run deficits in the range of \$2-4 billion in recent years.

U.S. Government Services—U.S. Government imports of services have consistently exceeded the very small total of U.S. Government services exports, which have never topped \$1 billion. The deficits in this category have been small—an average of about \$1 billion over the 1981-87 period—and relatively stable in recent years.

Net Unilateral Transfers

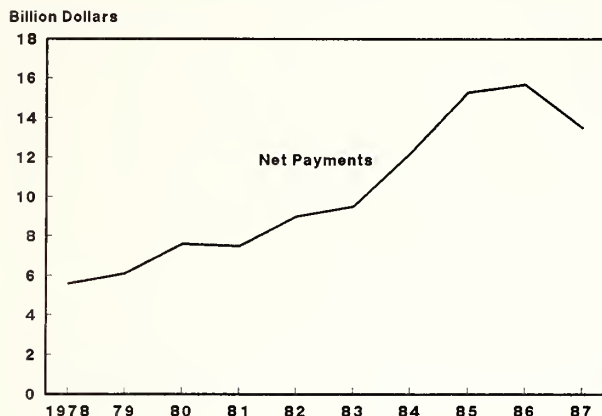
Unilateral transfers as reported in U.S. international transactions data consist of the net flows resulting from government grants, pensions to U.S. citizens living abroad and other transfers, and private remittances and miscellaneous transfers. Reflecting the U.S. leadership role in international affairs, the transfers category is dominated by U.S. grant payments in the form of foreign grant aid and financing of military purchases.

Statistics covering unilateral transfers are reported only on a net payments basis because U.S. receipts are inconsequential. U.S. net unilateral transfer payments have increased steadily in recent years, from \$5.0 billion in 1977 to \$15.7 billion in 1986 (Figure 6.8). In 1987,

however, net payments declined to \$13.5 billion. U.S. Government grants accounted for about three-quarters of the total net unilateral payments, with the remainder being divided between other U.S. Government and private sector transfers.

Figure 6.8

U.S. NET UNILATERAL TRANSFER PAYMENTS 1978-87

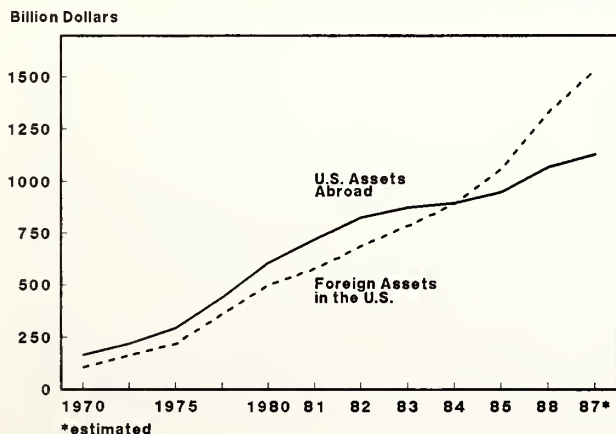


Capital Flows and Deterioration of the U.S. IIP Position

As noted earlier, there are direct relationships between the U.S. current account, international capital flows, and the U.S. international investment position (IIP). Net capital flows are the mirror image of the current account balance. U.S. capital inflows accumulate in the form of an increasing stock of foreign-owned investments in the United States (U.S. liabilities). U.S. capital outflows accumulate as an increasing stock of U.S.-owned assets abroad. The net U.S. IIP is the stock balance of these U.S. and foreign-owned assets. In effect, current account balances and accompanying capital flows change a country's IIP, the balance sheet of its international assets and liabilities.

Figure 6.9

U.S.-OWNED ASSETS ABROAD AND FOREIGN-OWNED ASSETS IN THE U.S., 1970, 1975, 1980-87



Current Account-IIP Linkage

As a result of continuing U.S. current account deficits and the accompanying net inflows of capital, the United States officially became a debtor nation in 1985 and became the world's largest debtor nation by year-end 1986. During 1985 the value of foreign-owned assets in the United States officially exceeded the value of U.S.-owned assets abroad for the first time since 1914 (Figure 6.9).

Conceptually, U.S. current account balances are matched by equal and balancing capital flows—for example, a current account deficit is financed by net capital inflows that match exactly the amount of the current account deficit. Measurement discrepancies exist, however.

Current account data are measurements of international flows of goods and services and other receipts and payments. The data are collected from disparate sources, often using sampling techniques to develop estimates. The results are imperfect in accuracy. Capital flow data are also collected from disparate sources and are similarly imperfect. As a result of imprecisions in both data sets, indicated current account imbalances may not correspond exactly with indicated capital flows.

Indeed, the disparity between the two sets of data as compiled is often a sizeable statistical discrepancy residual. In recent years, U.S. current account deficits have frequently been significantly greater than the reported net capital inflows. Some knowledgeable observers believe there have been large, unrecorded capital inflows and that the net U.S. IIP may, in fact, have deteriorated more rapidly than the indicated amount. On the other hand, some believe that recent current account deficits have been overstated because of unrecorded exports of both merchandise and business services.

Moreover, valuation methodologies employed in generating the U.S. IIP tend to enlarge the negative U.S. IIP. Officially-published data on U.S. assets abroad and foreign assets in the United States probably understate their current market values. Assets which are recorded at or close to historical cost—primarily gold held as U.S. official reserves and direct investment position statistics—generally have a far larger current market value. U.S. official reserves of gold are valued at about \$42 per ounce, resulting in an IIP value of about \$11 billion, while the market value is many times greater. Direct investments are also recorded at their historical value. But over time, inflation and growth in earning power have increased the net worth of many of these investments beyond the historical value reflected in the IIP. This is especially true for the generally longer established stock of U.S. direct investment abroad.

Capital flow data provide the basic information used to determine the U.S. IIP. Various adjustments to the capital flow data are made before they are added to (or subtracted from) the previous year's IIP statistics. Some of the U.S. assets abroad data—primarily U.S. official reserve assets and U.S.-owned foreign securities—are adjusted for exchange rate changes during the year. In addition, U.S.-owned foreign security values

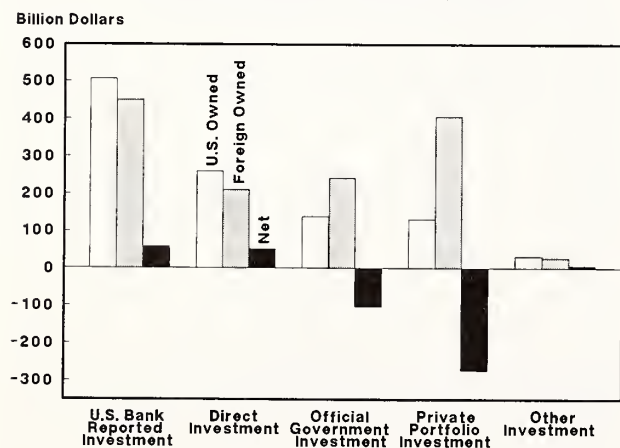
are adjusted for local currency price changes and direct investment abroad data are subject to various adjustments. Adjustments to data on foreign assets in the United States include valuation adjustments for U.S. Government and private securities and various adjustments to data on foreign direct investment in the United States. Overall, the net effects of these adjustments have not been large. In recent years, adjustments to both U.S. capital outflows and U.S. capital inflows represented 2 percent of the total.

Rapid U.S. Swing into Debtor Status

The United States for many years registered a growing positive (creditor) international investment position—that is, the value of U.S. assets abroad consistently increased more than the value of foreign assets in the United States. The official U.S. creditor position peaked at \$141 billion in 1981, but has since deteriorated rapidly as a result of large net U.S. capital inflows and U.S. current account deficits. The official IIP became negative in 1985 with the year-end 1986 debtor position reaching \$264 billion. Current account data for 1987 suggest that the U.S. IIP exceeded \$400 billion at year-end 1987. Although according to established accounting procedures the overall U.S. investment position is now negative, U.S. assets still exceed U.S. liabilities in certain types of investment (Figure 6.10).

Figure 6.10

COMPOSITION OF U.S. INTERNATIONAL INVESTMENT POSITION, 1986



Data detailing changes in the U.S. international investment position illustrate the rapid “internationalization” of capital flows and investment. The total value of U.S. assets abroad and foreign assets in this country more than doubled over both the period 1975-80 and 1980-86.

The recent deterioration in the net U.S. IIP reflects an acceleration in the growth of foreign-owned assets in the United States, while U.S. assets abroad have increased at a more modest pace since 1982. The resulting net capital inflows into the United States were stimulated by various U.S. and international macro economic developments.

U.S. Assets Abroad

U.S. holdings of assets abroad consist primarily of loans and other investments abroad by U.S. banks (almost one-half of the \$1.07 trillion total for 1986), direct investment abroad (almost one-quarter of the total), and U.S. Government assets (including official reserves, and U.S. Government holdings of stock and bonds abroad). Total U.S. assets abroad grew rapidly between 1975 and 1982, increasing at an annual rate exceeding 16 percent. Between 1982 and 1985, however, the growth rate was less than 4 percent. The dramatic slowdown in the growth of U.S. assets abroad reflected generally more attractive investment opportunities in the United States than abroad and the financial effects of the LDC debt crisis. For 1986 the growth rate in U.S. assets abroad recovered to more than 12 percent, but probably increased at only about half that rate in 1987.

U.S. Bank Lending Abroad—Increases in foreign assets abroad held by U.S. banks accounted for almost two-thirds of the total increase in U.S. assets abroad between 1975 and 1982. A large portion of the increase in U.S. bank assets abroad during these years was loans to major developing countries, especially those in Latin America (for example, Mexico and Brazil). But debt in some LDCs had grown too rapidly. Economic policies in some LDCs discouraged domestic investment and growth of goods exports and instead encouraged capital flight to foreign havens, much of it to the United States. The economic recession experienced by the United States and other developed countries in 1981-82 slowed the exports of major LDC debtor nations and left some of them without enough hard currency to meet their loan repayments. The recession thus served as the catalyst for the “LDC debt crisis.” U.S. and other developed country banks—seeing that LDC debtor countries were hard pressed to meet their existing repayment obligations—made only modest additions to existing loans to these countries after 1982.

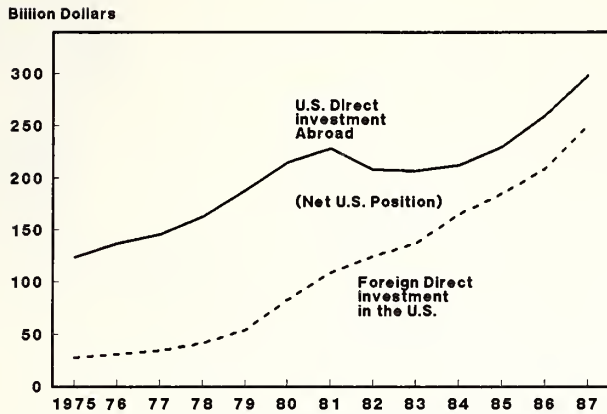
U.S. Direct Investment Abroad—Following strong growth during the 1970s, U.S. direct investment abroad (USDIA) slowed markedly after 1981. The year-end 1986 book value of about \$260 billion was just 14 percent higher than the 1981 total (Figure 6.11). (In contrast, 1986 foreign direct investment in the United States was almost twice as large as the 1981 total.) International transactions data for 1987 suggest that the USDIA position will expand some 15 percent for the year and total almost \$300 billion at yearend.

Adverse economic growth prospects in Western Europe and in Latin America—two areas with large amounts of USDIA—reduced the incentive for U.S.-based multinational corporations (MNCs) to make new investments or expand their existing investments abroad. Also, higher rates of return on portfolio investments in the United States than abroad encouraged U.S. parent firms to return available funds to the United States.

It is important to recognize that the official \$260 billion book value figure for USDIA in 1986 may very well substantially understate its actual market value and related investment income earning power. A relatively large portion of USDIA (compared to foreign

Figure 6.11

U.S. NET DIRECT INVESTMENT POSITION 1975-87



direct investment in the United States) consists of investments made 20 or 30 years ago and recorded in the IIP at the transaction cost at that time. Because of real appreciation in the value of profit-making business enterprises over the years and significant inflation during the 1970s, the actual market value of U.S. investments abroad is likely much higher than the recorded historical cost value reflected in official statistics. There are similar tendencies in understating the valuations and related earning power of foreign direct investments in the United States. The under-valuation is, however, likely significantly less, since much foreign investment in the United States is of relatively recent vintage.

Foreign Assets in the United States

During the last 10 years foreign-owned assets in the United States have increased almost fourfold, to a

value of more than \$1.33 trillion at year-end 1986 (compared to U.S.-owned foreign assets of about \$1.07 trillion). This growth was relatively steady over the period 1980-84, with increases of about \$100 billion annually. In 1985 the increase was over \$165 billion, and in 1986 it rose further to \$264 billion. (1987 international transactions data indicated that foreign-owned assets in the United States will expand about \$200 billion for the year.)

The major types of foreign-owned assets include foreign private assets in U.S. banks (about one-third of the total), foreign private holdings of U.S. stocks and bonds (23 percent), foreign direct investment in the United States (16 percent), and foreign official holdings and private holdings of U.S. Government securities (18 percent and 7 percent, respectively). There have been rapid increases in almost all of these categories, indicating that foreign investors are becoming increasingly integrated into most aspects of the U.S. economy and that the traditional U.S. policy of placing very few restrictions on foreign investment is encouraging a broad range of foreign investment activity in the United States.

Dominant Role of Manufactures Trade in U.S. External Accounts

The foregoing illustrates the diversity and complexity of the various transactions that comprise the U.S. international accounts. It is important to note, however, that dramatic shifts in the current account, capital flows, and the U.S. international investment position in recent years are manifested primarily in the large deterioration in U.S. manufactured goods trade performance. Reflecting developments in international financial flows, U.S. merchandise trade performance—particularly manufactured goods trade performance—will continue to be the predominant factor in U.S. international account developments.





SPECIAL TOPICS

This chapter contains special topic articles that are relevant to U.S. trade performance. They have been written by staff members of the Office of Trade and Investment Analysis and other offices in the International Trade Administration.

Administration Trade Actions Underway in 1986 and 1987

by Jane L. Corwin

The year 1987 marked the beginning of a turnaround on the trade front. For the first time in years, exports fueled U.S. economic growth and began to narrow the gap in our trade account. Exports rose as a result of a more competitive currency, increased attention to quality and productivity, and effective Administration trade policy. This article will deal specifically with Administration trade policy to strengthen and open the international trade system.

Aggressive Action Against Unfair Trade

Throughout 1986 and 1987, the Administration took repeated and aggressive actions aimed at combatting the unfair trading practices of our trading partners. The President's Trade Policy Action Plan announced in September 1985 served as the cornerstone of Administration trade policy and was the driving force behind the many initiatives taken to restore and maintain a sense of equity and openness in the international trading system.

President's Trade Strike Force

A key element of the Administration's efforts to "level the playing field" was the establishment of the President's Trade Strike Force in late 1985. The Cabinet-level Strike Force, chaired by the Secretary of Commerce, was charged with identifying significant unfair trade practices and recommending actions necessary to counter and eliminate them. The Strike Force has launched a number of initiatives. Several of these are highlighted below:

- At the recommendation of the Strike Force, the President directed the Department of Commerce to self-initiate an antidumping investigation on dynamic random access memory (DRAM) semiconductors from Japan. This unprecedented action served to elevate and complement several other semiconductor trade investigations regarding Japanese pricing policies and U.S. semiconductor industry market access in Japan (see below).
- As a result of the Strike Force's consideration of Japanese practices related to supercomputers, the Economic Policy Council (EPC) authorized a fact-finding investigation under Section 305 of the 1974 Trade Act. The Section 305 study, completed in March 1987, was used by the EPC to identify serious problems and make policy recommendations. In June 1987, the United States and Japan conducted formal negotiations regarding the issue of public sector market access. Two months later, an agreement was signed on public sector procurement of supercomputers. Talks will continue with the government of Japan in 1988 to discuss the progress of the agreement.

- In November 1986, the Strike Force recommended to the EPC that the issue of European government subsidies and supports to Airbus industries be escalated to the political level. As a result, in 1987 the Administration entered formal consultations with the European Community/Airbus governments. In October, the United States and European ministers met to review the results of the negotiations and to establish future negotiating objectives with the goal of resolving differences in 1988. Key outstanding issues are terms and conditions for direct and indirect supports and appropriate transparency of those supports.
- The Strike Force also recommended a comprehensive global strategy for dealing with unfair intellectual property rights (IPR) practices. This strategy includes a legislative initiative, intensified bilateral and multilateral negotiations, and an Administration policy statement on IPR. Specifically, the U.S. government entered into consultations with Brazil on IPR protection for U.S. pharmaceutical firms doing business in Brazil. These talks failed to achieve progress satisfactory to the U.S. industry, and on June 11, 1987, the industry association filed a Section 301 petition. The Administration initiated its investigation on July 23, 1987 and public hearings were held in September. The President must determine whether the Brazilian practice is unreasonable or unfair by July 1988.
- On July 24, 1986, the Administration issued a Strike Force recommended policy statement on trade-related performance requirements. The statement underscores the Administration's opposition to practices such as local content and export performance requirements which distort trade. In addition, the Administration initiated for the first time an investigation under Section 307 of the Trade and Tariff Act of 1984 regarding Taiwan's automotive export performance requirements. Five months later, Taiwan agreed to eliminate these trade distorting investment barriers by June 1987.
- In October 1986, the Strike Force began investigating industry allegations of unfair trade practices affecting U.S. exports of heavy electrical equipment to foreign markets. This investigation was completed

in the summer of 1987. Industry allegations regarding closed markets were supported by this study. In early 1988, the Administration approved initiation of bilateral consultations with the European countries and Japan on improving market access for U.S. produced heavy electrical equipment.

Implementation of U.S. Trade Laws

The aggressive use of Section 301 of the Trade Act of 1974 and our antidumping and countervailing duty (AD/CVD) laws throughout 1986 and 1987 achieved significant results for U.S. exporters and import-competing industries.

Section 301 Cases. Through the judicious use of Section 301, agreements were reached with many of our trading partners to eliminate or reduce barriers to U.S. exports. More than 60 percent of all Section 301 trade actions have been launched under this Administration. Further, President Reagan is the first President to self-initiate Section 301 cases. Between the announcement of the President's Action Plan and the end of 1987, nine such cases were initiated and eight resolved. The specific country, product, and solution reached are summarized in Table 7.1.

The domestic industry also petitioned the U.S. government to conduct several Section 301 investigations. On April 25, 1986, the domestic soybean industry petitioned the Administration to conduct an investigation of Argentina's differential export tax on soybeans. On May 14, 1987, the President decided to suspend the case pending implementation of the government of Argentina's pledge to eliminate the export tax within 180 days. In late December, Argentina agreed to reduce the export tax differential to 8 percent, and to discuss further reductions with the U.S. government. An exchange of letters finalizing this agreement is pending.

The domestic fish industry filed its petition concerning Canada's export restrictions on salmon and herring on May 16, 1986. In addition, in early 1987, a General Agreement on Tariffs and Trade (GATT) dispute settlement panel was requested by the United States to deal with this issue. A panel report favorable to the U.S. was submitted to the GATT Council on November 20, 1987, and subsequently blocked by Canada in early December. The Council is planning to revisit this issue in 1988.

Table 7.1
Administration Initiated Section 301 Cases Underway in 1986 and 1987

Country	Product or Service	Issue	Solution/Status
Taiwan	Customs Valuation	In August 1986, the President determined that Taiwan's use of a duty paying system violated a trade agreement and was a burden on U.S. commerce. The President directed USTR to propose appropriate retaliatory action.	Taiwan agreed to take action by September 1, 1986, to abolish the duty paying schedule. As a result, the Administration announced that no retaliatory actions would be proposed.

Taiwan	Beer, Wine and Cigarettes	In October 1986, the President determined that practices of Taiwan regarding the distribution and sale of U.S. beer, wine, and cigarettes are actionable under Section 301, and directed the Administration to propose appropriate retaliatory actions.	In December 1986, an agreement was reached on major market-opening measures for these commodities. As a result, the United States announced that no retaliatory actions would be proposed.
Japan	Cigarettes	The President self-initiated an unfair trade practices investigation under Section 301 on market access barriers.	This case was successfully resolved when Japan agreed in October 1986 to suspend tariffs on cigarettes and to liberalize distribution practices which discriminate against foreign cigarettes.
South Korea	Insurance	The President self-initiated an investigation of Korean practices that restrict the ability of U.S. firms to provide insurance services in the Korean market.	In July 1986, the President announced conclusion of an agreement with South Korea that will increase U.S. firms' access to the insurance market by enabling them to underwrite both life and non-life insurance.
South Korea	Intellectual Property Rights	In November 1986, the President self-initiated an investigation of Korea's lack of effective protection of U.S. intellectual property rights.	In July 1986, an agreement was reached with South Korea that will provide comprehensive protection of foreign patents, copyrights, and trademarks in Korea.
European Economic Community	Oilseeds and Grains	In March 1986, the President announced his intention to take action against the agricultural restrictions imposed by the EC following the accession of Spain and Portugal to the Community.	In May 1986, the United States placed quotas with an equivalent restrictive effect on a similar value of EC imports into the United States. In January 1987, the United States announced an agreement with the EC, whereby the EC would compensate the U.S. for the \$400 million in lost exports due to the enlargement, by increasing access to grain markets and lowering tariffs on a number of agricultural and industrial items. The remaining dispute over Portuguese oilseed restrictions continues to be negotiated.
European Economic Community	Corn and Sorghum	In March 1986, the President announced his intention to take action against EC exports in response to their failure to compensate the U.S. for its trade loss resulting from the accession of Spain and Portugal to the Community.	In January 1987, the President announced that the U.S. and European Community had reached an agreement that will compensate the U.S. for lost feed grain sales to Spain resulting from the enlargement of the community to include Spain and Portugal. Under the agreement the U.S. will receive full and fair compensation for losses it suffered when prohibitive restrictions were imposed on corn and sorghum exports to Spain on March 1, 1986. The agreement forestalled implementation of the decision by the President to retaliate by imposing 200 percent duties on a number of EC products.
Canada	Softwood Lumber	In December 1986, pending Canada's implementation of the CVD agreement, the President proclaimed under Section 301 authority temporary duty to enforce provisions of the agreement.	In January 1987, Commerce suspended the import duty based on the determination that Canada had begun to collect the export surcharge on exports to the United States of certain softwood lumber products.
Brazil	Informatics	In September 1985, the President self-initiated an investigation on Brazilian informatics policies covering a range of market access and investment barriers to computers, telecommunications, instrumentation, and related services.	In December 1986, the President suspended portions of the case relating to market reserve policies in Brazil because of positive steps taken by the Brazilian Government in administration of the law and the scope of market reserve. On July 1, 1987, the President suspended the IPR portion of the case due to the passage of a copyright bill protecting software by the Brazilian House. In November, because of Brazil's failure to keep earlier commitments, the President reopened the IPR portion of the case and announced his intention to retaliate. Public hearings were held in December 1987.

Section 305. On July 22, 1987, the Administration initiated an investigation in response to a petition filed by industry on market access barriers to U.S. meat exports by the proposed European Community Third Country Meat Directive. The U.S. and EC held initial consultations under Article 23 of the GATT in September 1987. The U.S. requested the formation of a dispute settlement panel in late 1987.

Antidumping and Countervailing Duty Laws. The vigorous enforcement of our AD/CVD laws, which enables the U.S. Government to offset the unfair competitive advantage foreign producers receive by virtue of protected home markets or government subsidies, was an important element of the Administration's strategy to deal with unfair trade in 1986 and 1987. From 1980 to 1987 the Commerce Department initiated 643 AD/CVD cases, during 1986 and 1987, 121 investigations were conducted. The investigations concerning semiconductors in Japan, Canadian softwood lumber, and Canadian potash are notable examples of the effectiveness of AD/CVD laws in combatting unfair trade. These are summarized below.

- **Japan Semiconductor Arrangement.** In 1985, the U.S. semiconductor industry sought relief from predatory pricing practices by Japanese companies by filing two antidumping cases. The U.S. government, recognizing the prevalence of this practice and acting on the recommendation of the Strike Force, self-initiated a third antidumping duty case on Japanese 256K and above DRAM semiconductors. These cases, in addition to the Section 301 market-access investigation, led to a multipart agreement in September 1986 with Japan concerning the sales of Japanese semiconductors in the United States, Japanese sales in other countries, and greater access to Japan's market. As a result of the Arrangement, the investigations were suspended.

On March 27, 1987, the President announced that Japan had failed to enforce major provisions of the Arrangement, and that the United States would impose retaliatory tariffs. On April 17, the United States imposed 100 percent tariffs on \$300 million in Japanese imports. In June, sanctions were lifted on \$51 million of these imports, reflecting partial Japanese progress in reducing dumping of semiconductor chips in third countries. On November 4, 1987, sanctions on an additional \$84 million of imports were lifted, after evidence indicated Japanese third-country dumping had ceased. Sanctions remain in effect on \$165 million of imports due to lack of progress on market access in Japan. The Administration continues to monitor Japanese compliance with the Semiconductor Arrangement.

- **Canadian Softwood Lumber.** The U.S. softwood lumber industry filed a CVD petition in 1986 alleging injury caused by the Canadian government's unfair subsidization of the production of softwood lumber. On December 30, 1986, the U.S. and Canada signed a Memorandum of Understanding (MOU) on trade in softwood lumber which took the place of the CVD action. Under the MOU, the

government of Canada imposed a 15 percent export tax on all lumber exports previously covered by the CVD investigation to offset the benefit conferred by the subsidy. When the Canadian Parliament passed the Export Charge Act on July 17, 1987, which enabled the Federal government to collect this tax, they also made the tax retroactive to January 8, 1987.

The MOU was modified on December 16, 1987, to take account of the 217 percent increase of artificially low stumpage fees in the province of British Columbia. As a result of this modification the exporters from British Columbia will no longer pay the 15 percent export tax.

- **Canadian Potassium Chloride (Potash).** The U.S. potash industry filed an antidumping (AD) petition in early 1987 alleging the dumping of Canadian potash in the U.S. On March 27, 1987, the U.S. International Trade Commission (ITC) issued its preliminary affirmative injury determination with respect to imports of potash from Canada. On August 20, 1987, the Department of Commerce issued its preliminary determination of sales at less than fair value.

On January 8, 1988, the Commerce Department announced that it had signed an agreement with the Canadian exporters of potash which had the effect of suspending the AD investigation. Under the agreement, the Canadian potash producers will revise their prices to prevent dumping. The Department will monitor imports of Canadian potash and will, when necessary, consult with the Canadian potash producers to review its findings.

Bilateral and Multilateral Negotiations To Remove Trade Barriers

The Uruguay Round

One of the most effective ways to attack foreign trade barriers and practices is through international negotiations. Some barriers may be legal under international trade rules, such as bound tariff rates, or, like services, not covered at all by rules. As a result, they do not often lend themselves to remedy through unfair trade actions.

The Administration exerted much effort throughout 1986 in pushing for a new round of multilateral negotiations. The United States was successful in securing agreement from GATT trading partners on the launching of the Uruguay Round in September, 1986. The United States also succeeded in placing all of its priority issues (agriculture, services, intellectual property rights, and investment) on the negotiating agenda. The negotiations began in Geneva in February 1987 and are scheduled to last 4 years. Considerable progress was achieved in 1987 and the Administration hopes to see tangible results by the end of 1988. (See the special topic article in this report on the Uruguay Round.)

U.S.-Canada Free Trade Agreement

The United States and Canada began negotiations on a free trade agreement (FTA) in May 1986 to remove trade barriers between the free world's two largest trading partners. After many months of intensive negotiations, the two countries agreed on October 3, 1987, to the essential elements of the FTA. On January 2, 1988, President Reagan and Canadian Prime Minister Mulroney signed the FTA. The agreement will provide enormous benefits to the United States. All Canadian tariffs will be eliminated by 1998 and other Canadian trade restrictions on a wide range of U.S. products will be eased. Congress is expected to vote on the agreement during the summer or fall of 1988. Congressional approval of the agreement is required before it can be implemented.

U.S.-Japan Bilateral Negotiations

Market-Oriented Sector-Selective (MOSS) Talks.

In order to address the growing trade deficit with Japan, President Reagan and former Prime Minister Nakasone launched a series of MOSS talks in January 1985. They instructed policy officials of both governments to find solutions to market access problems in four high-priority industry sectors: electronics, telecommunications, forest products, and medical and pharmaceutical supplies.

The United States achieved significant progress in reducing or eliminating Japanese barriers in these four sectors. In telecommunications, agreements to virtually eliminate regulatory barriers and discrimination for telecommunications equipment and radio services were reached.

In forest products, significant reductions in paper and wood tariffs and easing of standards barriers were achieved. In medical equipment and pharmaceuticals, there has been simplification of regulatory procedures and elimination of administrative delays. In electronics, copyright protection was extended to software, and tariffs on computers and parts were virtually eliminated.

In August 1986, the U.S. government initiated the Transportation Machinery MOSS for Automotive Parts. These talks addressed the close relationship between Japanese vehicle manufacturers and their suppliers. The relationship precluded U.S. automotive parts companies, including electronic components producers, from becoming both original equipment and replacement suppliers to Japanese car makers in Japan, the U.S. and third-country markets. Since the conclusion of talks in August, 1987, purchases of U.S. components by Japanese vehicle manufacturers have increased steadily. The United States and Japan have scheduled follow-up meetings in 1988 to review Japanese performance in the wake of the automotive parts talks.

Public Works. After several rounds of negotiations with the United States in 1987, the government of Japan offered to adopt more open procurement procedures for the Kansai airport and Tokyo Bay bridge projects. Japan refused to apply these procedures, however, to its public sector construction projects. Further negotiations to

resolve this important trade issue will take place in 1988.

General Agreement on Tariffs and Trade (GATT).

The United States initiated bilateral consultations with Japan in the context of GATT dispute settlement in August 1986 and requested that Japan liberalize its import quotas and licensing rules on U.S. herring and pollack exports to Japan. As a result of bilateral talks concluded in March 1987, U.S. suppliers of these products are expected to enjoy easier access to the Japanese market.

Japan also maintains quotas on agricultural imports, including beef, oranges, fruit juices, rice and processed foods. The understanding that the United States reached with Japan to increase beef and citrus imports in 1984 will expire on March 31, 1988. Removal of these quotas will be an important goal of the Administration in 1988.

The understanding on Japan's increase in import quotas covering 12 other agricultural categories expired in April 1986. After unsuccessful bilateral consultations to eliminate quotas on these products, the United States requested in July 1986 the formation of a GATT panel to investigate the consistency of Japan's quotas with its GATT obligations. A GATT panel was formed and held its first meeting in May 1987. In February 1988, the GATT Council adopted a GATT panel report that found that Japanese import quotas on 10 of the 12 agricultural products were clearly inconsistent with Japan's GATT obligations. The panel indicated that measures applying to the remaining two items could be made GATT-consistent.

High Technology Initiatives

Market Access Fact-Finding Discussions (MAFF).

During 1986 and 1987, MAFF discussions were continued and expanded. Begun with West Germany in late 1985, additional discussions were held with West German officials, and talks were initiated with Italy, Spain, France, Netherlands, Sweden, and South Korea. The purposes of the talks are to obtain information on policies and regulations that serve as barriers to U.S. entry into foreign telecommunications markets and to make clear our concern about the effect of these measures on U.S. exports. The talks are also intended to provide information to foreign governments on the benefits of telecommunications liberalization in the United States and to support those elements in foreign countries that promote liberalization of their telecommunications markets.

A delegation from the EC Commission also visited the United States during 1986 to engage in telecommunications discussions with U.S. industry and government. This led to the first MAFF talks with the Commission in early 1987. In addition, U.S.-EC Working Groups were established on standards, procurement, and trade data. An agreement was also reached with South Korea to begin market access talks with that country in 1987. Thus far, four separate consultations have taken place. Further meetings are scheduled for 1988.

Computers. In 1982, the South Korean government effectively banned the import of computer equipment

and peripherals, if equivalent products are produced locally. The ban is administered through import licensing restrictions, local content requirements, and high tariff rates. During discussions in June 1986, the Korean government offered to routinely approve imports of some U.S.-made computers and peripherals. The Koreans also announced that import licensing restrictions on certain items would be removed in July 1987 and that all local content requirements would be removed in January 1988. Bilateral discussions in 1987 resulted in the Korean government announcing tariff reductions from 20 percent to 15 percent on certain computers and peripherals, effective January 1, 1988. In addition, the Korean government assured the U.S. government that all remaining import licensing restrictions would be removed by July, 1988. The Administration expects to continue to exert pressure on the Korean government to further reduce their remaining tariffs.

Aircraft. A U.S. led initiative to eliminate government financing subsidies led to an OECD agreement on official export credit terms for small- and medium-sized aircraft. This agreement went into effect on March 10, 1986, and neutralizes official export credit financing as a competitiveness issue. The agreement prohibits tied-aid credits and increases U.S. manufacturers competitiveness by establishing a market-related, non-subsidized interest rate system for aircraft sales.

Aircraft trade with Brazil remains a major issue of concern for U.S. general aviation producers. As a result, the Administration continues to work with industry in seeking methods to resolve this trade problem with Brazil.

Bilateral Initiatives on Trade in Alcoholic Beverages

During 1986 and 1987, the U.S. government successfully negotiated improved market access for various alcohol beverage products with a number of countries. In late 1986, Taiwan agreed to open its market to U.S. beer and wine. After only eight months of access, U.S. beer exports had captured almost one-half of the Taiwan import market. In early 1987, the government of Japan lowered some wine and spirits tariffs which contributed to an increase in U.S. exports for the year. Also, in 1987, the government of South Korea made some changes in its wine import system which will ultimately benefit U.S. producers. Mexico also made changes in its beverage import scheme during 1986 and 1987 that will improve U.S. export prospects in 1988 and beyond. In addition, the governments of Columbia, Ecuador, and the Dominican Republic relaxed quotas and/or tariffs affecting U.S. exports.

Import Policy Developments

Generalized System of Preferences

On January 2, 1987, the results of the two-year "General Review" of the Generalized System of Preferences (GSP) program were announced. During this review, GSP beneficiaries were encouraged to improve intellectual property rights protection and workers rights practices as well as to eliminate barriers to

U.S. exports of goods, services, and investment. The Review reduced the level of duty-free GSP benefits granted to advanced developing countries by about \$2 billion, or 23 percent, effective July 1, 1987, redistributing program benefits to the needier developing countries. In addition, three countries (Romania, Nicaragua, and Paraguay) were denied GSP benefits for failure to improve workers rights practices.

Results of the 1987 GSP Annual Review which followed the General Review will be announced in early 1988. Sixty-eight petitions regarding product coverage, graduation, and competitive-need waivers were accepted for formal review. Eight petitions on country practices in South Korea, Taiwan, Thailand (2), Indonesia, Turkey, and the Central African Republic were also accepted. On December 30, 1987, the decision to remove Chile for worker rights violations was announced. Chile's removal will become effective March 1, 1988.

In late 1987, the United States government began giving serious consideration to the idea of graduating Hong Kong, South Korea, Taiwan and Singapore from the GSP program. In recognition of their sufficiently high level of economic development and trade competitiveness, the President announced in January 1988 his decision to graduate these four countries. Implementation will become effective January 2, 1989, in order to allow businesses with operations in these countries a period of time for adjustment.

The Steel Program

On September 18, 1984, the President established a comprehensive program for the U.S. steel industry designed as an alternative to the filing of multiple AD/CVD cases, and to provide a period for the U.S. industry to restructure and modernize. The centerpiece of this program is a set of bilateral steel agreements running through September 30, 1989. The Department of Commerce currently administers 21 agreements covering imports from 29 countries, or about 70 percent of total U.S. steel imports in 1987. As a result, steel imports declined from 26.5 percent of the U.S. market in 1984 to 21.3 percent in 1987. Similar levels are expected in 1988.

The Multifiber Arrangement

On August 1, 1986, the U.S. government, along with over 50 other countries, successfully negotiated the renewal of the Multifiber Arrangement (MFA) in textiles and apparel, extending it to 1991. The new MFA expands coverage to previously uncontrolled fibers such as ramie, linen, and silk blends. It also includes a mechanism to prevent destructive import surges and provisions to prevent fraud. During the past two years, the U.S. government successfully negotiated agreements substantially limiting the growth of imports from the 5 major U.S. Suppliers—China, Hong Kong, Taiwan, South Korea and Japan.

Machine Tools—Voluntary Restraint Agreements

Following a Section 232 national-security investigation, the President asked the Department of Commerce to seek voluntary restraint agreements (VRAs) with Japan, Taiwan, West Germany, and Switzerland. On December 16, 1986, the United States successfully concluded voluntary machine tool export restraints with Japan and Taiwan. At the same time, the Administration notified West Germany and Switzerland that their machine tool exports should not exceed specified levels. Seven other machine tool supplier nations were requested not to increase their exports to take advantage of the VRAs. Between 1986 and 1987 machine tool imports from Japan and Taiwan, the only countries which signed agreements with the U.S., dropped 33 percent and 37 percent, respectively. Imports from non-agreement countries also declined, falling 24 percent.

Section 201—Wood Shakes and Shingles

On May 22, 1986, the President announced his decision to grant import relief to the U.S. western red cedar shakes and shingles industry, under Section 201 of the Trade Act of 1974. This action followed a six-month investigation by the International Trade Commission (ITC) which determined that imports (principally from Canada) were causing serious injury to the domestic wood shakes and shingle industry. The President's 5-year graduated relief program is expected to facilitate the industry's transition back to free market competition and ultimately help reduce consumer costs.

Conclusions

In summary, the multipronged approach taken by the Administration to address the trade deficit is achieving tangible results for America's industries. By aggressively pursuing unfair trade practices through the strict enforcement of our trade laws, the United States has sent a clear message to its trading partners that maintaining an open and equitable international trade environment is a top priority of this Administration. In addition, the Uruguay Round of multilateral negotiations holds great promise for improving and strengthening the international trade environment. An updated and expanded world trading system is critical if U.S. products and services are to have greater access to markets abroad in the years ahead.

The Uruguay Round: Improving the International Competitive Climate for U.S. Industry

By Marjory E. Searing
Director, Office of Multilateral Affairs

Multilateral trade negotiations now underway in

Geneva are tackling an ambitious agenda of trade issues; U.S. industry stands to gain a great deal.

Introduction

A key ingredient to the short- and long-term competitiveness of U.S. industry is an open multilateral trading system which provides for the free flow of goods and services around the world. To be effective, an open trading system must be governed by a set of rules which all member countries agree to follow. Furthermore, it must provide avenues for recourse should one member believe that another is breaking the rules. Since 1948, the General Agreement on Tariffs and Trade, the GATT, has attempted to serve this function for goods.

Despite the aspirations of the GATT to maintain an open trading system, there has been a growing perception among a wide range of U.S. industries that the rules of the GATT are becoming increasingly outdated and ineffective in addressing today's trade problems. In confronting this serious dilemma, the Reagan Administration pressed the world trading community to initiate a new round of multilateral trade negotiations under the GATT. This top U.S. priority has become a reality with the official launching of the Uruguay Round in September 1986 in Punta del Este, Uruguay.

The negotiations, which began in February 1987, encompass a broad and comprehensive agenda. This agenda includes traditional trade issues such as tariffs and non-tariff trade barriers (e.g., quotas and import licensing regimes), institutional issues geared to improving the GATT system itself, and new policy issues not currently subject to GATT rules. As detailed below, U.S. industry stands to gain from progress in all of these areas.

Traditional Issues

Tariffs

Though not the major focus of this GATT round, tariffs still impede access for U.S. exports to certain developed and developing country markets. For example, compared to an average U.S. industrial product tariff rate of 4.7 percent, Canadian tariffs average 7.4 percent, the highest of all industrialized countries. In Japan, although tariffs are quite low on average, they are considered major impediments to U.S. exports of certain wood and paper products, aluminum products, computers, chemicals (especially petrochemicals), leather, and cigarettes as well as a wide array of agricultural products. In the European Community (EC), high or troublesome tariffs are still to be found on computer equipment and software, trucks, bicycles and sporting equipment, semiconductors, softwood plywood, kraft paper, and agricultural products.

Tariff rates in developing countries are much higher on average, and duties above 50 percent, or even 100 percent, are common. The negotiation of meaningful tariff reductions with less developed countries (LDCs) therefore represents a substantial opportunity for U.S. export interests. Any tariff lowering exercise with the LDCs must be conducted concurrently with negotiations

on non-tariff barriers which can represent a greater impediment to access by U.S. imports than the actual tariff rates themselves. Also, while most developed countries have "frozen" (bound) their tariff rates on specific products, most LDCs have not. Negotiation of changes in bound rates would require LDCs, in the same way as industrialized countries, to compensate injured countries if they raise a product's duty rate above the bound level.

Quantitative Restrictions and Other Non-Tariff Measures

Recourse to quantitative restrictions (i.e., licensing, quotas, embargoes) and to other non-tariff measures to protect local production or conserve foreign exchange is a recognized and prevalent problem for U.S. exports, particularly in the LDCs and the newly industrializing countries. In 1982, the GATT created a special committee to review existing quantitative restrictions and other non-tariff measures to determine why they were maintained, to assess their conformity with and justification under GATT rules, and to seek to eliminate those restrictions not so justified. The group has made significant progress in identifying existing measures, and its work should serve as an excellent basis for efforts to address this problem in the context of the Uruguay Round. As quantitative restrictions either severely limit or prohibit imports, progress in this area will have a direct impact on U.S. industry's ability to export, particularly to the developing world.

Agriculture

Current GATT discipline over government measures which distort agricultural trade is very weak. Over the years, U.S. traders have encountered various difficulties in exporting to particular markets, but never on the scale that confronts us today. Import restrictions have proliferated, and export subsidies are increasingly used to compete in third country markets. This comes at a time of intensified competition as new countries have entered the global market, and new farming methods have increased yield in other countries.

We are seeking in the Uruguay Round to finally achieve meaningful discipline over agricultural subsidies and import barriers. U.S. agriculture probably stands to gain the most from these efforts; however, U.S. industry would benefit as well to the extent that domestic farm programs in the future place less strain on the federal budget and on consumers' budgets, freeing up resources for more productive uses.

Tokyo Round Agreements

The last GATT round, the Tokyo Round (1972-79), produced seven agreements to reduce or eliminate specific types of non-tariff barriers to trade. Often known as the "codes," six of these agreements cover generic non-tariff barriers to trade in the areas of government procurement, standards, customs valuation, import licensing, antidumping and subsidies. The seventh establishes new rules on trade in civil aircraft.

Certain of these agreements, such as the Customs

Valuation Code, are generally acknowledged to have greatly reduced or streamlined foreign procedural barriers to U.S. trade. However, 5 to 7 years of experience with the codes has shown that some of these agreements require further revisions. For example, in the case of the Import Licensing Code, the coverage and membership are too limited. In other cases, such as the Subsidies and Standards Code, the provisions need to be strengthened and updated to impose more discipline over certain practices. U.S. negotiators are seeking to remedy these deficiencies through amendments or possibly renegotiation of some codes in the Uruguay Round.

Institutional Issues

GATT negotiators are conducting a thorough review of the articles of the GATT to assess their efficacy and relevance to today's trading environment. In conjunction with this process, negotiators are considering such questions as how the GATT provisions on settling trade disputes (dispute settlement) and protecting home markets temporarily from surges of imports (safeguards) can be improved. There is a strong sentiment among all GATT members that both of these provisions are inadequate and seriously undermine the effectiveness of the GATT system. In addition to specific articles, GATT negotiators will be taking an overall look at the functioning of the GATT system as a whole in order to determine how to make the GATT a more effective and responsive international body.

While seemingly an esoteric area, U.S. industry stands to gain a great deal from any such institutional improvements to the GATT. For instance, a comprehensive safeguards agreement would bring many measures currently taken outside of GATT rules, such as voluntary restraint agreements and government sanctioned industry-to-industry arrangements, under GATT discipline.

In the area of dispute settlement, improvements would mean that the process would move along more quickly and that parties to the dispute would be more likely to honor decisions rendered. Such improvements would increase the confidence of U.S. firms in the GATT as a means to challenge unfair foreign trading practices.

New Trade Policy Issues

Services

Since the GATT was originally designed to apply to trade in goods, negotiators are now debating how a multilateral agreement on services trade could be developed. Services trade accounts for a significant percentage of world trade, and many GATT members have begun to recognize that numerous barriers that limit or distort international services transactions have been erected in the absence of any international discipline. These practices have a negative impact both on service industries themselves and on other sectors which depend on the efficient provision of state-of-the-art services.

In light of this serious gap in the GATT's coverage, the United States has made services trade a major objective for the Uruguay Round. The United States

will seek to establish a legal framework for the conduct of trade in services based on principles such as market access, national treatment, and transparency. Another objective is to reach agreements on specific service sectors which would complement the framework of principles by adapting it to, and addressing the unique problems of, key service sectors. Such an agreement would open markets, reduce distortions to competition, and bring transparency and predictability to international service business.

Intellectual Property

Inadequate or ineffective enforcement of intellectual property rights (e.g., patents, trademarks, and copyrights) can severely distort and limit trade. Bogus imported copies are sold in place of the rightful domestic item, or legitimate products are forced to compete with unauthorized reproductions in export markets. As research and development of innovation becomes increasingly costly, such infringements deprive companies of legitimate revenues, hampering their ability to further invest in research and development.

While certain international rules governing intellectual property rights now exist, they are often unable to prevent a wide range of trade distorting measures in the intellectual property rights area. For instance, compulsory licensing arrangements, totally in keeping with certain international conventions, can require companies to license proprietary formulas to competing firms. This is of particular concern to the pharmaceuticals industry.

Trade distortions may also result because of inadequate international rules governing protection of rights in new and evolving technologies. Semiconductor chips are often not protected, which has resulted in unauthorized copying of U.S. chips by foreign firms. The copyright laws of many countries have yet to be extended to the area of computer software and pirated software abounds.

Consequently, the United States is seeking agreements in the GATT to complement existing conventions by limiting the trade distorting effects of intellectual property protection infringement. U.S. industry stands to gain a great deal from improved discipline over intellectual property protection. GATT rules in this area would benefit all manufacturers of innovative or proprietary products.

Investment

Governments imposing restrictions and regulations on investors distort the pattern of trade as well as investment flows. In doing so they seek to improve the economic position of one country and its firms at the expense of others. Such actions contradict a major objective of the GATT, "the elimination of discriminatory treatment in international commerce." Moreover, the trade effects of these policies are comparable to those created by tariffs or non-tariff barriers.

For example, one of the areas targeted by the United States for negotiation is government mandated performance requirements, such as local content or export

requirements. These requirements can affect company investment decisions in finance, manpower, technology exports and local production content. U.S. firms face these types of requirements in many foreign countries, often limiting the efficiency of the overseas operation and increasing production costs. According to the 1982 *Benchmark Survey of U.S. Direct Investment Abroad*, an average of 28 percent of U.S. firms in developing countries and 7.5 percent in developed countries were subject to performance requirements. Given the broad-ranging implications of investment regulations, all industries which now invest overseas or contemplate foreign investment would benefit from negotiations in this area.

Conclusion

As evident from the above discussion, U.S. trade negotiators have their work cut out for them. The list of issues to be addressed in the Uruguay Round is extensive and includes such other issues as tropical products, textiles and natural resource-based products. In addition, the nontraditional issues, such as services, intellectual property and investment, will require creative thinking and thorough analysis as we try to bring them under the GATT. The outstanding issues from past rounds, such as safeguards and agriculture, will require intensive negotiations as GATT members try to narrow differences which have been aired repeatedly, with little movement, over the past years.

While it is clear that this round may prove the most difficult GATT negotiation to date, there has already been substantial progress in the negotiations. Numerous proposals have been submitted by the Uruguay Round negotiators, many more than had been introduced at a similar stage in the last GATT round, the Tokyo Round. The United States hopes to see even more progress in 1988.

Largely at the urging of the Reagan Administration, GATT members agreed to hold a mid-term ministerial level review meeting in December 1988, in Montreal, Canada. Ministers will review the progress of the negotiations and consider any proposals for reaching early agreements in particular negotiating groups. The United States is seeking early results in agriculture, services, intellectual property and certain GATT institutional issues such as dispute settlement. The United States believes that reaching early agreements will bolster confidence in the GATT and the Uruguay Round process and provide necessary momentum for concluding the negotiations successfully within the 4-year time frame stipulated in the Punta del Este Declaration.

Administration of Antidumping and Countervailing Duty Laws

By Kenneth A. Cutshaw

U.S. industries maintain the competitive and technological advantage over their counterparts in foreign

countries in many areas. However, the foreign competitor sometimes may have an advantage that is not afforded the U.S. company such as government economic assistance. We have laws designed to help the U.S. company.

International Norm

The antidumping and countervailing duty laws are consistent with the internationally accepted rules outlined in the Antidumping and Subsidies Codes of the GATT. Our trading partners around the world recognize that to allow subsidization by governments in the manufacturing of goods for export or to allow unfair pricing practices by manufacturers when trading with other countries does not provide a healthy trading atmosphere. In order to discourage these practices around the world, the Antidumping Code and Subsidies Code prescribe procedures by which the signatory countries may adopt domestic laws to offset these practices in their domestic market. The U. S. laws are set out in the Tariff Act of 1930, as amended. The laws establish an effective framework that allows the U. S. Government to adjust for these practices in the domestic market.

Performance by U.S. Commerce Department

From 1980 to 1987, the Commerce Department initiated 643 antidumping and countervailing duty cases, having received 681 petitions. This represents substantial

Table 7.2

Antidumping and Countervailing Duty Cases Administered by the Department of Commerce: by Calendar Year, 1980-1986

Status	1980			1981			1982			1983		
	AD	CVD	Total	AD	CVD	Total	AD	CVD	Total	AD	CVD	Total
Petitions received	42	11	53	19	14	33	71	124	195	51	32	82
Petitions dismissed	2	1	3	1	1	2	1	1	2	2	0	2
Initiations of petitions	40	10	50	19	15	34	68	124	192	47	34	81
ITA final affirmative vote	11	8	19	4	6	10	9	61	70	9	0	9
ITA final negative vote	1	2	3	2	0	2	1	3	4	3	5	8
Orders sent to Customs	6	5	11	4	2	6	5	10	15	13	21	34
Suspensions of investigations	1	0	1	1	3	4	3	8	11	1	10	11
Withdrawals of petitions	27	6	33	0	0	0	20	50	70 ¹	0	2	2
ITC negative votes (prelim. or final)	12	9	21	1	4	5	55	23	78	16	3	19
Pending at year end	18	0	18	28	0	28	14	27	41	30	17	47

	1984			1985			1986			1987		
	AD	CVD	Total	AD	CVD	Total	AD	CVD	Total	AD	CVD	Total
Petitions received	73	53	126	44	32	76	65	28	93	15	8	23
Petitions dismissed	2	2	4	0	0	0	6	3	9	0	0	0
Initiations of petitions	48	42	90	46	29	75	68	28	96	18	7	25
ITA final affirmative vote	37	19	56	2	7	9	37	21	58	35	16	51
ITA final negative vote	5	6	11	4	3	7	1	1	2	3	3	6
Orders sent to Customs	23	14	37	2	7	9	21	15	36	38	11	49
Suspensions of investigations	0	3	3	0	3	3	0	4	4	0	3	3
Withdrawals of petitions	9	12	21	41	12	53	6	2	8	2	2	4
ITC negative votes (prelim. or final)	14	6	20	12	15	17	23	2	25	6	6	12
Pending at year end	50	27	77	35	19	54	43	20	63	12	5	17

AD/CVD Cases Initiated by the United States from 1980 to 1986

	1980	1981	1982	1983	1984	1985	1986	1987
AD Cases	40	19	68	47	48	46	68	18
CVD Cases	10	15	124	34	42	29	28	7

¹ A significant number of these were withdrawn as a result of the U.S.-EC Steel Arrangement, signed in October, 1982.

acceptance of these laws by the U. S. business community and the ultimate results offered by the application of the antidumping and countervailing duty laws.

Below is a chart representing the number of actions taken by the Commerce Department on antidumping and countervailing duty cases (Table 7.2).

The Commerce's Department's responsibility in administering the antidumping duty laws is to determine if the foreign product has been sold at less than fair value in the United States. The Commerce Department arrives at this determination by comparing the price for that foreign product in the U.S. market to that product's price in the home market or third country markets, or to a constructed value of the foreign product. In a countervailing duty case, the Commerce Department's responsibility is to determine whether a foreign government is subsidizing the exportation or production of a foreign product.

The U. S. International Trade Commission, where appropriate, will determine if there is material injury to the U. S. industry, or whether there is a threat of material injury to the domestic industry, as a result of these dumping or subsidy allegations.

Examples of Cases

Any imported product may be subject to an antidumping or countervailing duty petition. Some domestic industries have used these trade laws effectively. In fact, by effective use of the relief available from antidumping and countervailing duty laws, certain industries have successfully maintained their competitive edge in competing with unfairly traded imports.

The steel industry over a period of time has experienced a high level of import penetration from many countries. A number of cases have been filed and investigated concerning steel products. Particularly in 1982, the Commerce Department initiated 132 antidumping and countervailing duty investigations. These petitions resulted from the significant impact foreign pricing and government subsidy practices were having on the domestic steel industry. In 1984, these cases, followed

by numerous others filed in the intervening years and an investigation conducted under Section 201 of the Trade Act of 1974, led to the President's steel program. This program allows the U. S. industry to maintain a competitive position with steel imports that were receiving foreign government subsidies or were being sold below fair market value. This program is administered by the Commerce Department, and the Voluntary Restraint Agreements are scheduled to expire in 1989.

In 1985, the U.S. semiconductor industry sought relief from certain pricing practices by Japanese companies by filing two antidumping duty cases. The U. S. Government, recognizing the prevalence of this practice, self-initiated a third antidumping duty case on Japanese 256K and above DRAM semiconductors. These cases led to a multipart arrangement in 1986 with Japan concerning the sales of Japanese semiconductors in the United States, Japanese sales in other countries, and greater access to Japan's semiconductor market. Much activity occurred during 1987 concerning this arrangement, including economic sanctions imposed on Japan by the U.S. Government. As a result of the antidumping duty cases, subsequent agreements and government actions, the U.S. semiconductor industry maintains brighter prospects for the future.

The U. S. softwood lumber industry filed a countervailing duty petition in 1986 alleging injury caused by the Canadian Government's unfair subsidization of the production of softwood lumber. Because of this investigation, the U. S. and Canadian Governments entered into a bilateral agreement for maintaining fair and equitable softwood lumber trade between the two countries.

Many other products are covered by antidumping and countervailing duty orders. Among them are televisions, cellular mobile telephones, typewriters, various steel and metal products, cookware, cut flowers, and orange juice. These products are only representative of the many industries that have benefitted from the application of these laws. Below is a list of all effective orders on products and their country of origin (Tables 7.3 and 7.4).

Table 7.3
Countervailing Duty Findings and Orders in Effect at End 1987

Commodity	Country	Commodity	Country
Cold Rolled Steel Sheet	Argentina	Ceramic Tile	Mexico
Leather Wearing Apparel	Argentina	Leather Wearing Apparel	Mexico
Nonrubber Footwear	Argentina	Lime	Mexico
Oil Country Tubular Goods	Argentina	Lithage	Mexico
Textiles and Apparel	Argentina	Porcelain Cooking Ware	Mexico
Wool	Argentina	Textile Mill Products	Mexico
Woolen Garments	Argentina	Toy Balloons	Mexico
Agricultural Tillage Tools	Brazil	Standard Chrysanthemums	Netherlands
Brass Sheet and Strip	Brazil	Carbon Steel Wire Rod	New Zealand
Castings	Brazil	Copper Rod and Wire	New Zealand
Castor Oil	Brazil	Lamb Meat	New Zealand
Cotton Yarn	Brazil	Steel Wire	New Zealand
Pig Iron	Brazil	Steel Wire Nails	New Zealand
Scissors and Shears (R)	Brazil	Shop Towels	Pakistan
Groundfish	Canada	Cotton Sheeting and Sateen	Peru
Live Swine	Canada	Cotton Yarn	Peru

Commodity	Country	Commodity	Country
Oil Country Tubular Goods	Canada	Pompon Chrysanthemums	Peru
Standard Carnations	Canada	Rebars	Peru
Standard Carnations	Chile	Textiles and Apparel	Peru
Fresh Cut Flowers	Ecuador	Tuna	Philippines
Sugar	European Comm.	Carbon Steel Wire Rod	Saudi Arabia
Brass Sheet and Strip	France	Perchrom	South Africa
Nitrocellulose	France	Stainless Steel Cookware	South Korea
Castings	India	Stainless Steel Wire Rod	Spain
Fasteners	India	Textiles and Apparel	Sri Lanka
Pistachios (nonroasted)	Iran	Certain Carbon Steel	Sweden
Roasted Pistachios	Iran	Rayon Staple Fiber	Sweden
Industrial Phosphoric Acid	Israel	Stainless Steel Cookware	Taiwan
Oil Country Tubular Goods	Israel	Certain Apparel	Thailand
Roses	Israel	Pipes and Tubes	Thailand
Forged Undercarriages	Italy	Rice	Thailand
Auto Glass	Mexico	Steel Wire Nails	Thailand
Bars, Rebars, and Shapes (R)	Mexico	Aspirin	Thailand
Bricks	Mexico	Pipe and Tube	Turkey
Carbon Black	Mexico	Stainless Steel Plate	Turkey
Castings	Mexico	Leather Wearing Apparel	United Kingdom
Cement	Mexico	Wire Rod	Uruguay
			Zimbabwe
Suspensions			
Carbon Steel Wire Rod	Argentina	Fresh Cut Flowers	Costa Rica
Orange Juice	Brazil	Float Glass	Mexico
Tool Steel Products	Brazil	Pectin	Mexico
Red Raspberries	Canada	Polypropylene Film	Mexico
Cut Flowers	Colombia	Polypropylene Yarn	Mexico
Leather Wearing Apparel	Colombia	Shop Towels	Peru
Miniature Carnations	Colombia	Compressors	Singapore
Textiles and Apparel	Colombia	Textiles	Thailand
Cement	Costa Rica		

Table 7.4
Antidumping Duty Findings and Orders in Effect at End 1987

Commodity	Country	Commodity	Country
Barbed Wire	Argentina	Choline Chloride	Canada
Carbon Steel Wire Rods	Argentina	Construction Castings	Canada
Canned Bartlett Pears	Australia	Elemental Sulphur	Canada
Railway Track Equipment	Austria	Fresh Cut Flowers	Canada
Sugar	Belgium	OCTG	Canada
Phosphoric Acid	Belgium	Paving Equipment	Canada
Brass Sheet & Strip	Brazil	Pig Iron	Canada
Butt-Weld Pipe Fittings	Brazil	Potato Granules	Canada
Construction Castings	Brazil	Racing Plates	Canada
Disc Wheels	Brazil	Raspberries	Canada
Orange Juice	Brazil	Salted Codfish	Canada
Pipe Fittings	Brazil	Steel Bars & Shapes	Canada
Brass Sheet & Strip	Canada	Steel Reinforcing Bars	Canada
Steel Jacks	Canada	OCTG	Israel
Sugar and Syrups	Canada	Brass Fire Protection Equip	Italy
Sodium Nitrate	Chile	Brass Sheet & Strip	Italy
Standard Carnations	Chile	Clear Sheet Glass	Italy
Fresh Cut Flowers	Colombia	Large Power Trans.	Italy
Portland Cement	Dominican Republic	Pressure Sensitive Tape	Italy
Fresh Cut Flowers	Ecuador	Rayon Staple Fiber	Italy
Urea	E. Germany	Tapered Roller Bearings	Italy
Rayon Staple Fiber	Finland	Spun Acrylic Yarn	Italy
ASM	France	Strontium Nitrate	Italy
Brass Sheet & Strip	France	Acrylic Sheet	Japan
Large Power Trans.	France	Bicycle Speedometers	Japan
Rayon Staple Fiber	France	Birch 3-Ply Doorskins	Japan
Sorbitol	France	Butt-Weld Pipe Fittings	Japan
Sugar	France	Cadmium	Japan
Nitrocellulose	France	Calcium Hypochlorite	Japan
Photo Albums	Hong Kong	Calcium Pantothenate	Japan
Tapered Roller Bearings	Hungary	Cell-Site Transceivers	Japan
Construction Castings	India	Cellular Mobile Telephones	Japan
Pipes and Tubes	India	Color Picture Tubes	Japan
Pistachio Nuts	Iran	Cyanuric Acid	Japan

The Advent of the Harmonized System

By Juliet Bender

The United States will convert to a new, internationally-accepted product classification system for customs duties, export and import statistics, and transport documents, once Congress approves the new tariff schedule.

Development of the Harmonized System

For decades, the international trading community has confronted difficulties caused by the numerous differing national trade classification systems being used around the world. This lack of standardized foreign trade data has complicated the preparation of customs and transport documents, impeded the broader use of electronic data processing in international transactions, made analyses of international trade partners more difficult, and hampered international trade negotiations. To alleviate some of these difficulties, the Customs Cooperation Council (CCC) began meeting in 1970 to develop the Harmonized System (HS) which was finally completed 13 years later.

The HS is designed to serve as the common structure for the tariff and statistical systems of all developed and, eventually, most developing countries of the world. Use of the Harmonized System will increase uniformity and predictability in customs classification, strengthen the reliability of trade data, promote standardization of trade and transport documentation, and make more transparent the process of international trade negotiations.

Based on the Customs Cooperation Council Nomenclature (CCCN), formerly known as the Brussels Tariff Nomenclature (BTN), the Harmonized System is uniform internationally at the 6-digit level which defines 5,000 product categories. These product categories can be further defined to 10-digits for national purposes. Each digit has a specific meaning (Figure 7.1).

Figure 7.1

Purposes of Individual HS Number Digits

7318.15.2040	Ten-digit sample HS number
7318.15	International system number
73	HS chapter
18	HS heading
.15	HS subheading
.2040	National system number
.20	U.S. subheadings for the legal tariff
40	U.S. statistical subdivisions

The new tariff schedule is divided into 99 chapters which are grouped into 22 sections (e.g., Section VI deals with products of the chemical or allied industries, and Section XI deals with textiles and textile articles). Chapters 1-97 will comprise the Harmonized System, while chapters 98 and 99 are reserved for national purposes. In the new U.S. tariff schedule, these last two chapters will relate to Schedule 8 and the Appendix of the current TSUS, respectively. See Figure 7.2 for a sample list of the HS sections and chapter titles.

Figure 7.2

Sample of HS Section and Chapter Titles

Section XV

Base Metals and Articles of Base Metal

- Chapter 72 Iron and steel
- 73 Articles of iron or steel
- 74 Copper and articles thereof
- 75 Nickel and articles thereof
- 76 Aluminum and articles thereof
- 77 Reserved for possible future use
- 78 Lead and articles thereof
- 79 Zinc and articles thereof
- 80 Tin and articles thereof
- 81 Other base metals; cermets; articles thereof
- 82 Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal
- 83 Miscellaneous articles of base metal

Section XVI

Machinery and Mechanical Appliances; Electrical Equipment; Parts Thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, and Parts and Accessories of Such Articles

- Chapter 84 Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof
- 85 Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles

The Harmonized System is organized hierarchically, which means a given product must fall within its particular section and chapter before it can be classified in any one heading or subheading. Additionally, the HS is organized for the most part according to a product's level of processing. Primary products (e.g., agricultural products) are classified in early chapters and more extensively processed products (e.g., electronic machinery) appear in later chapters. Even within HS chapters, headings containing products characterized by higher

levels of processing generally appear later in the chapter. For example, in Chapter 44 there is a progression from wood in the rough, to poles and stakes, to molded wood, to articles such as doors and frames.

As a legal document, the HS consists of: 1) the Rules for the Interpretation of the Harmonized System (described later); 2) the section and chapter legal notes, which provide definitions delimiting the scope of a particular subheading, heading or chapter; and 3) the individual headings and subheadings. In addition, nonlegal Explanatory Notes and Classification Opinions supplement the legal text as interpretation aids.

The U.S. Conversion to the Harmonized System

Once the international structure of the HS was completed, the President requested the U.S. International Trade Commission (USITC) to begin converting the current Tariff Schedule of the United States (TSUS) into the nomenclature of the Harmonized System. The President directed that to the extent possible the conversion should: 1) avoid changes in rates of duty on individual products; 2) simplify the U.S. tariff structure without rate changes significant for U.S. industry, workers, or trade; and 3) alleviate administrative burdens on the Customs Services.

After the USITC completed the draft conversion in June 1983, numerous public hearings were held and private sector comments received. Based on these hearings and comments, amended versions of the proposed HS tariff schedule were published on several occasions.

While this domestic review of the Harmonized System was taking place, international negotiations under Article XXVIII of the General Agreement on Tariffs and Trade (GATT) were initiated in Geneva with our trading partners. These negotiations involved compensating trading partners for changes in bound tariff rates that resulted from the conversion to the HS. During the first half of 1987, the United States negotiated with 36 countries on the U.S. converted tariff schedule. During this same time period, the United States also conducted negotiations with several foreign countries on their converted tariff schedules. For the most part, these negotiations successfully restored the neutrality of the conversions on a bilateral basis.

On the whole, the resulting U.S. Harmonized System tariff schedule is rate neutral. There is an estimated net overall increase in duties collected in the HS compared to the TSUS of approximately \$3.9 million, which represents an increase of less than four one hundredths of one percent. Overall, the average duty under both the TSUS and the HS are the same—3.13 percent.

Sectorally, the changes are also minimal. In most cases, there is no measurable net change in the average ad valorem tariff rate. The largest change, and the change which accounts for virtually the entire net overall increase across the whole conversion, is in the textiles and apparel sector. This slight net increase is largely accounted for by the compromise rates negotiated for the elimination of ornamentation distinctions for cotton apparel.

In the U.S. Harmonized System schedule, all items eligible for special tariff programs, such as the Generalized System of Preferences (GSP), have been converted into the new system. The Multifiber Arrangement (MFA) textile quota categories have also been converted to the Harmonized System.

The Harmonized System will dramatically improve the comparability of import and export trade statistics. Schedule B, the U.S. export schedule, has been converted into the HS structure. With few exceptions, each individual import classification will convert directly to a single export classification. This provides the basis for importers and exporters to uniformly code both import and export transactions in virtually all areas. In addition, the SIC codes have been aligned with the Harmonized System at the 6-digit level.

The new system will be implemented after Congress approves the U.S. Harmonized System tariff schedules, which will hopefully occur in 1988.

Differences in the TSUS and HS Conversion

The Harmonized System is governed by the General Rules of Interpretation found at the beginning of the tariff schedule. These rules provide general guidelines on how a particular product should be classified in the HS. The rules are meant to be applied sequentially to a product when determining its classification.

The major difference between the TSUS and HS stemming from these rules is how goods composed of mixed or combined materials will be classified. In the current TSUS the primary classification concept is chief value. However, under the HS, these articles will be generally classified according to their essential character. Determinations of the essential character of a product, when necessary, will be based on such factors as relative weight, surface material, or some outstanding feature of the products. For example, in the textile area, the HS will classify textile fiber blends by the component material of chief weight rather than by the component material of chief value as the current TSUS does. Blends such as 65 percent polyester and 35 percent silk are in chief value of silk due to the high price of silk; however, under the HS, these blends would be in chief weight of polyester. Weight criteria rather than value is more desirable in these areas, both from the standpoint of administrative ease and the certainty of classification.

On a sectoral basis, there are a number of differences between the TSUS and HS systems. Examples of some of these general differences are described below.

Agricultural Products

The organization of the TSUS and the HS in this area is fundamentally different. The TSUS classifies by the food item, with the levels of processing being secondary. For example, in the following TSUS line item—Avocados, fresh, or prepared or preserved—all levels of processing appear. In contrast, the HS classifies agricultural products according to their level of processing. For example, the HS classifies fresh, chilled or frozen items in earlier chapters, while prepared and

preserved products appear in the latter agricultural chapters.

Chemicals

The TSUS contains a large number of provisions with duty based on a minimum rate or the highest rate applicable to any component material. These have generally been replaced in the HS with straight ad valorem rates of duty. This relieves Customs from having to make difficult classification decisions and gives greater predictability. Due to the difficulty in administering the Chemical Appendix, an attempt was made to eliminate the Appendix from the HS, but inability to develop a suitable replacement which our trading partners could accept caused the Appendix to be retained.

Textiles and Apparel

The distinction between ornamented and non-ornamented wearing apparel had its origin decades ago in a desire to protect the vulnerable U.S. lace industry by placing higher duties on imports of ornamented apparel. While the lace industry has all but disappeared, the distinction remained in the TSUS. The HS has eliminated the concept of ornamentation. The difference in the classification of textile fiber blends between the TSUS (chief value) and HS (chief weight) was discussed earlier.

Footwear

In the HS the classification of footwear is generally based on the constituent material of the upper end of the outer sole, without regard to value or weight. The constituent material is defined as the material having the greatest external surface area. Under the TSUS, assignment of the proper classification primarily rests on a determination of the component material in chief value, in chief weight, or with the greatest exterior surface area. Another significant difference between the TSUS and HS is the provision for parts of footwear.

In the TSUS, parts of footwear are classified with other articles of the material from which the part is derived and not with footwear. The HS classifies all parts of footwear in the footwear chapter.

Base Metals

Certain elements which are classified as base metals in the TSUS are classified as chemicals in the HS, i.e., arsenic, boron, selenium, silicon, tellurium, mercury, the alkaline-earth metals, the rare-earth metals, and the radioactive metals. Additionally, in the HS, the chapters are organized by type of base metal and then subdivided according to the degree of advancement of the product. For example, all copper, whether in primary form or manufactured article, falls in Chapter 74. In the TSUS, the opposite is true. There, classification is organized by the degree of product advancement and only then by type of metal. For example, primary forms of all metals fall within Part 2 to Schedule 6, while all base metal manufactures and articles fall within Part 3 to that schedule. Finally, the terms, "bar", "wire rods,"

"wire," and "angles, shapes and sections" have different physical descriptions in the HS than in the TSUS.

Machinery

In the TSUS, electromechanical and electrothermic appliances are classified together in Schedule 6, Part 5, regardless of where they are to be used. However, the HS separates these articles, with the "domestic" appliances going to Chapter 85.

Watches

Under the TSUS, watches are classified according to "constructive separation", i.e., each component part of an assembled watch (case, movement, band) is assessed a separate duty and therefore a complete watch is assigned several tariff numbers. In the HS, these components are classifiable in a single subheading, although separate rates of duty are applied. This is a simplification in the classification of watches and clocks.

Consumer Goods

Because accessories are classified with their parent articles in the HS, cases for cameras, guns, and musical instruments are classified with the main article. In the TSUS, accessories are specifically provided for by name when they are included, otherwise they are classified in a parts provision.

Dispute Settlement

Undoubtedly, classification disputes will arise under the Harmonized System. Domestically, the final decision on the interpretation of any provision of the U.S. conversion will ultimately be made on the basis of U.S. law, as currently under the TSUS, and importers will retain the same protest and appeal rights they presently have.

On the international level, Article 10 of the HS convention provides for a dispute settlement mechanism. The process, however, is not one of adjudication but rather one of conciliation and negotiation. Disputes are to be submitted to the Harmonized System Committees which will make recommendations for settlement.

Better Data on Services Trade a Priority

By Helen D. Grayson

Important improvements in services trade data accuracy are seriously needed. A multi-pronged effort, including a new benchmark survey, seek to remedy past deficiencies.

Introduction

Important strides are being made to improve the measurement of trade in services. Most significant in a half-decade of incremental additions to the information base on this important subject was the approval in 1987 by the Office of Management and Budget of the

new Benchmark Survey of Selected U.S. Services Transactions with Unaffiliated Foreign Persons—1986. Specifically authorized by the Trade and Tariff Act of 1984, the survey, known as the BE-20, will collect data on 18 services being sold internationally which up to now either have not been included in official statistics, or in the case of several, only partially covered. The information obtained will make the U.S. balance of payments more complete and accurate and fill a major gap in knowledge about the mix of international service transactions, as well as where and how they are marketed.

More accurate measurement of services trade performance has been a goal of U.S. agencies concerned with trade data since the 1970s. At that time, it became recognized that official data significantly understated both the value and volume of services trade. Equally serious, the existing data shed little light on how and where services were traded, or the extent of mutual reinforcement between services and merchandise trade—especially important in the high-tech information industries and engineering and construction. The reasons for the gaps were numerous. The merchandise trade data series were established to show the extent and direction of merchandise trade—not services. As a practical matter, many services are “bundled” with merchandise transactions and subsumed in the price of goods.

Since services trade does not pass through customs ports or other facilities at which it can easily be classified and counted, data are estimated from balance-of-payments surveys. Not keeping pace with economic change, the surveys omitted certain kinds of services transactions entirely, covered others only partially and were not easily disaggregated to individual categories of services or related marketing information. The new benchmark survey (BE-20) is expected to remedy many of these deficiencies.

Concerted inquiry into the problems of measuring trade in services followed inclusion of services under the definition of “commerce” in the 1974 Trade Act. Concurrently, service companies began pressing the U.S. Government to classify and address barriers to trade in services in a comprehensive manner, preferably through multilateral trade negotiations then taking place in the “Tokyo Round.” At the time it became evident that the U.S. position in merchandise trade was in jeopardy while its position in services trade and investment flows (including revenues from services transactions) seemed healthy. Services trade balances have deteriorated subsequently.

To safeguard, and if possible boost, these sources of revenue, the trade agencies set out to upgrade economic analysis of the U.S. international competitive position in services, expand services trade promotion activities, and strengthen support for trade actions and negotiations to remove foreign barriers to U.S. trade in services. Data to support such activities, however, were sparse and not widely understood. Accordingly, the need for better data became a priority and an interagency effort involving the trade agencies, the sectoral agencies and the data collection agencies was launched.

Two studies were commissioned as a starting point. One, *The International Operations of U.S. Service*

Industries; Current Data Collection and Analysis, by Economic Consulting Services, Inc. (1981) reviewed what data existed from both official and private sources and identified gaps. It estimated that existing series underestimated the value of services transactions by as much as 50 percent. The second, *International Services Transactions of the United States: Proposals for Improvement in Data Collection*, by Evelyn P. Lederer, Walther Lederer and Robert L. Sammons (also 1981) was the starting point for improvements in the official series.

One of the first opportunities to respond to demand for improved data on services came in the revision of the 1982 Benchmark Survey of U.S. Direct Investment Abroad (BE-10). Twelve service industry codes were added codes showing additional service industries; sales were disaggregated to show services separately from goods; and, questions on services transactions between parents and affiliates were redesigned to obtain more complete information.

In 1983, an annual sample survey of outward investment (the BE-11) was instituted to provide data on operations in the years between benchmarks. The annual survey contained most of the improvements related to services that had been incorporated into the benchmark.

Data on the expenditures of foreign tourists in the United States—comprising “travel receipts” in the U.S. balance of payments—have been made considerably more accurate than in the past. In January 1983, the U.S. Travel and Tourism Administration began a new in-flight survey of passengers departing from the United States. This survey provides estimates of the passengers’ total expenditures in the United States, broken down into several categories. In addition to improving the accuracy of the balance of payments, the data obtained is sold on a subscription basis to assist private service vendors—tour agents, airlines, hotels, etc.—as well as the U.S. Travel and Tourism Administration to improve marketing strategies designed to attract more foreign visitors to the United States.

On another front, the Bureau of the Census in 1982 made certain changes in the quinquennial Census of Service Industries so that data on sales to non-residents, i.e., exports of services, could be tabulated for four service industries. The covered services were computer and data processing services; management, consulting and public relations services; equipment rental and leasing services; and engineering, architectural and surveying services. Similar guidelines have been added for several additional service industries for the 1987 Census of Services.

Additional efforts currently under way center on improvement of data on trade in banking and other financial services, and on transportation other than cargo statistics. Although approval for the new Benchmark Survey of Selected U.S. Services Transactions with Unaffiliated Foreign Persons is only for a single survey to be done in 1987, it may be possible to begin annual sample surveys to update the information obtained and establish a time series, with a view toward another benchmark if warranted.

Over the next few years, these improvements and others under consideration will be reflected in official

data series. It is significant that most of the improvements proposed in a 1986 special report, *Trade in Services, Exports and Foreign Revenues* by the Office of Technology Assessment have been launched. The new data obtained will not only undergird U.S. government support for services, including services negotiations in the "Uruguay Round" of multilateral trade negotiations, but directly assist the private sector in planning foreign market strategies.

Developing Trade Patterns for Advanced Materials

By David A. Cammarota

Clear U.S. potential exists for leadership in new advanced materials. But overcoming obstacles to growth of an internationally competitive U.S. advanced materials industry depends on joint industry-government efforts.

Introduction

A new industry has evolved from the success that advanced materials have exhibited in competing with traditional materials. The emerging industry is spawning new international joint ventures and trade. The trade flows, though, are in many ways similar to those currently existing for traditional materials, raw materials flow into the United States where they are converted into semifabricated products.

Advanced materials are typically new, high-performance composites consisting of a polymer, metal, or ceramic matrix with high-performance reinforcements such as S-glass, Kevlar, graphite, or metal fibers. These materials successfully compete with traditional materials due to their low density, high stiffness, high strength, corrosion resistance, and thermal properties.

Although the technology for producing composites has existed for many years, large-scale commercialization of low-technology composites, such as fiberglass, was not established until after World War II. In fact, for advanced composites it has been in only the last 10 years, over which period consumption has increased 30 percent annually, that widespread utilization of these materials has occurred.

In the United States, which is the world's leading producer of boron and aramid fibers (Kevlar) and prepreg materials (an intermediate product consisting of reinforcements containing thermoplastic resins or partially cured thermosetting resins), the major producers of reinforcement materials for composites are DuPont, Hercules, Celanese, and Union Carbide. Union Carbide, though, is the only company to produce fibers from a domestic precursor (raw material), such as polyacrylonitrile (PAN). There are many joint ventures in the advanced composites industry which allow these companies a source of precursor, fibers, and fabricated

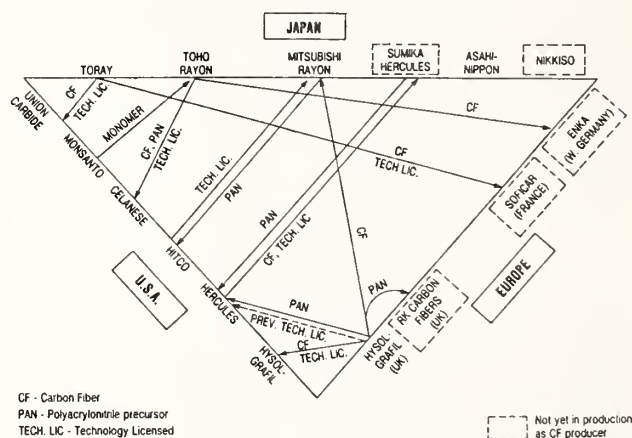
materials. Figure 7.3 illustrates the interdependence of companies and nations in the production of PAN based carbon fibers. Such relationships are necessary because of the large amounts of capital and technical expertise required to enter this industry.

Japan is the leading supplier of carbon fibers, followed by the United States, and then Western Europe. Demand for carbon fibers is dominated by the United States, accounting for about two-thirds of the total, followed by Japan, Western Europe, and Taiwan.

The breakdown of worldwide consumption of polymer composites by reinforcing fiber is as follows: S-glass (an advancement over the more common E-glass) 42

Figure 7.3

Pan-Base Carbon Fiber Organizations, Worldwide Relationships
(Basic chart provided by Toray, extended by S. L. Channon.)



percent, carbon 30 percent, aramid 27 percent, and other 1 percent. The main markets for polymer composites are aerospace, with a 38 percent share, recreational with 31 percent, industrial with 23 percent, automotive with 3 percent, and other with 5 percent.

The development of metal matrix composites began just over 20 years ago, but they have found few applications until recently. Unique physical characteristics, such as low coefficients of thermal expansion, insensitivity to moisture, and high temperature properties, enable these materials to perform in environments that polymer composites cannot withstand. Metal matrix composites differ from polymer composites through the use of metals, predominantly aluminum, magnesium, and titanium as the matrix for reinforcing fibers, such as boron, beryllium, graphite, and alumina and silicon carbides.

Basis for Trade

Although the United States has the world's largest fabricating capacity, and is the world's leading producer of composite reinforced materials, it is dependent on

foreign suppliers for most of the raw materials used to manufacture composites. To avoid this dependence, the current trend among advanced material suppliers is to integrate forward and become component manufacturers. Composite material component manufacturers are also solidifying their market positions through backward integration into composite materials, including fibers, resins, and prepreg operations.

The United States does not produce sufficient quantities of the materials used in composite production. Until recently, the United States was completely dependent on Japan and the United Kingdom for carbon fiber derived from PAN. However, foreign-made PAN is now used in the United States by several companies to produce domestic carbon fibers. The United States, though, is dependent on two Japanese firms and one British firm for 70 percent of its PAN needs.

The United States has ample fabricating capacity, but little precursor capacity for several reasons. Plants for the production of inputs into composites are placed in a particular location based on five factors. They include the proximity to the market, availability of skilled labor, proximity to the base of technology, facility development costs, and the costs of operation. Proximity to the market is important for customer interaction and acceptance in the global market. Customer interaction is deemed to be more important for prepreg and component manufacturers than for fiber and resin producers in order to enhance interaction at the engineering level and have greater inventory control. Therefore, since the United States is the largest consumer, it has the largest fabricating capacity.

The locations of many plants for precursor production in Japan and Europe, particularly for PAN, have raised concerns by the Department of Defense regarding the security of supply, since a significant portion of consumption is in military systems. The Department of Defense has, therefore, issued a directive that, by 1988, 33 percent of all advanced composites supplied to the Department be produced from domestic PAN, and 50 percent by 1990.

An additional benefit to maintaining a production base in the United States for PAN is the maintenance of a technology base in the United States for precursors. This is particularly important as more research and development is conducted to produce a low-cost alternative to PAN using pitch from oil and coal. It is estimated that carbon fibers from pitch would be one-half the cost of PAN based fibers, thereby creating the potential for increased use of advanced composites by the automotive industry.

When PAN is imported into the United States, it enters under a high duty rate that is meant to protect the domestic textile industry. Therefore, the advanced composites industry would like to establish foreign trade subzones for making carbon fibers. This would lower the duty on imported PAN almost 50 percent by assessing PAN at the duty rate for finished graphite fibers.

Future Prospects

The unique performance characteristics of advanced composites will ensure continued growth in demand.

Suppliers of advanced materials are primarily technology driven, placing a premium on performance, mostly for military applications, and development of new applications is secondary. This strategy is plausible while the military remains the single, most significant consumer of these materials. However, most consumers are market driven, focusing on the cost of the final product. Therefore, growth could be accelerated by a decrease in price, thereby enabling advanced composites to increase market share in such high-volume markets as the automotive and commercial aerospace end-use sectors.

Using the aerospace industry as an example to illustrate the high costs of advanced composites, the fly-away cost for aluminum is \$5 to \$20 a pound, graphite/epoxy composite tape \$40 to \$70 a pound, Kevlar/epoxy composite \$40 to \$80 a pound, graphite/epoxy composite cloth \$80 to \$150 a pound, and boron/epoxy composite \$300-\$350 a pound.

In 1984, worldwide consumption of advanced composites was estimated to be valued at \$1.3 billion. This is expected to increase to \$12 billion by the year 2000. The United States will continue to be the world's largest consumer, with the aerospace sector continuing to pace demand, growing at a rate of 20 to 25 percent annually. Sports and recreational uses are expected to become less important as a percentage of overall consumption, while automobile use is expected to increase slowly.

Detriments to Growth

Assuming that advanced composites do become competitive with traditional materials on a cost-per-pound basis, a step-by-step approach to the development of a completely integrated composite manufacturing plant is necessary to further make advanced composites practical and economically viable in the near future. Such a manufacturing plant would require changes in the methods of producing parts, now very labor intensive, and in the production facility itself. The cost competitiveness and superior physical characteristics of advanced composites relative to traditional materials must be of a sufficient degree to offset the cost of a consumer replacing existing capital throughout entire production facilities and training a labor force in new skills.

There are also several government related impediments to the rapid commercialization of these materials, such as regulations on product certifications, and government policies on patents and exports. Government restrictions on the export of advanced materials are especially important impediments because they limit the ability of U.S. business to compete internationally, thereby narrowing the potential market for a material. Additionally, the need for a license also causes shipping delays, which can be a reason for lost business in a climate of just-in-time inventories.

Finally, data on the production, consumption, costs, and trade of most advanced materials are extremely limited, which may act to slow growth. The lack of data could hamper industry when making investment decisions, and the government will not have sufficient information on which to base policy decisions which might affect the industry.

More importantly, though, there is a lack of engineering data. Without the benefit of such data, engineers are likely to continue to use traditional materials, performance characteristics of which have a proven record of reliability. Because the aircraft now being designed are likely to be in service 25 years after they are introduced, this represents a lost market which cannot be recaptured for many years.

Conclusion

The advanced materials industry has displayed phenomenal growth over the last decade and should continue to do so through the turn of the century. However, there are obstacles to growth, and the U.S. Government needs to work with industry to provide an environment conducive to firmly establishing the industry as one competitive within the international market. International joint ventures and trade benefit the development of the worldwide advanced materials industry. They cannot, however, substitute for the technological expertise which the United States will profit from only by developing a domestic industry. Materials, such as advanced composites, will be the basic inputs to future manufactured goods, and it would be detrimental to the overall U.S. economy if the advanced materials industry suffered a fate similar to many basic industries, such as steel, before even having had a chance to develop.

Recent Changes in Data Methodology

by Victor B. Bailey

Keeping up with Bureau of the Census trade data changes is vital to consistent reporting and analysis.

Introduction

Foreign trade data definitions and methodology change periodically to the detriment of data consistency. Several changes have been implemented by Census over the last several years. Most, if not all, will affect the continuity of foreign trade time series as originally published.

These changes include:

- *New Country and Regional Aggregations.* Several countries were redefined and the European Community was expanded to include Portugal and Spain.
- *Country Coding.* The International Standards Organization or ISO country code classification system replaced the Schedule C codes on the shipping documents in anticipation of the implementation of the Harmonized System.
- *Special Category.* Special category merchandise was redefined to exclude pistols and revolvers.
- *Carryover.* Census reinstituted a data revisions policy and discontinued all seasonally adjusted foreign trade series because of the late receipt of

shipping documents (i.e., carryover).

- *Export Undercount.* Census began estimating the value of undocumented exports to Canada. These estimates are based on Canadian import data.

The problems of carryover and export undercounting have affected data series very significantly and are discussed below. In addition, tables present U.S. merchandise trade figures for 1970-87 that are consistent with the 1987 Census definition of total exports and total imports.

Carryover

Frequently, import and export documents are received too late at the Bureau of the Census for their information to be recorded with the correct month. The information on these late documents is then recorded in a month following the month when the merchandise actually entered or left the United States. The value of this incorrectly recorded information is defined as the carryover.

The import carryover has been particularly large in recent years. Prior to 1978, the carryover was estimated at 5-6 percent. A 1978 change in the definition of the import month, coupled with a relaxation by Customs of the time allowed between the arrival of the imported merchandise and the filing of the required documentation, resulted eventually in an import carryover approximating 30 percent. A February 1983 change in the definition of the import month reduced the carryover to about 15 percent, but in mid-1985, Census reported that the import carryover was in the 39-55 percent range (see Table 7.5).

The Bureau of Customs attempted to reduce the import carryover by initiating a new procedure in 1986 to speed up data processing. The data portion of each import document was separated from the entire import document package as soon as Customs received each document. The data were immediately transmitted to Census for processing, thereby significantly reducing the time lag for recording the transactions. While carryover was reduced, data errors increased because the new procedure bypassed import document review by Customs.

The carryover for exports, although never as large as for imports, also increased over time. Before 1979, Census estimated the export carryover to be 2-3 percent. By 1982, the carryover had increased to approximately 5-6 percent. Census reported in mid-1985 that the export carryover was in the 6-13 percent range.

The new Customs and Census procedures to significantly reduce the monthly carryover, particularly for imports, were not entirely successful. The import carryover fell into the 20 percent range (see Table 7.5), but was still much higher than the 5-6 percent import carryover of the late 1970s.

Table 7.5 shows the values of imports and exports that were recorded incorrectly for a particular month. For instance, \$11.7 billion of recorded April 1984 imports did not arrive in the United States that month. Similarly, Table 7.5 shows that \$2.2 billion of December 1984 exports were not shipped from the United States that month, although recorded as a December 1984 export.

Table 7.5
Monthly Carryover ¹
(Millions of dollars and percent)

	Import Carryover			Export Carryover		
	Value (\$)	Unrounded (%)	Rounded (%)	Value (\$)	Unrounded (%)	Rounded (%)
1984 January	12,998.7	46.9		1,345.0	7.8	
February	11,862.5	45.2		997.9	5.9	
March	12,190.0	42.1		1,145.9	5.8	
April	11,709.9	39.7		989.3	5.6	
May	9,961.6	35.7		1,176.1	6.3	
June	12,258.8	45.1		1,399.4	7.6	
July	16,056.7	48.4		1,758.6	9.6	
August	12,650.0	44.5		1,001.2	5.8	
September ..	13,508.6	46.3		1,911.4	10.9	
October	11,888.5	41.2		1,656.3	8.9	
November ...	13,359.7	46.7		1,792.5	9.9	
December ...	12,533.4	49.1		2,159.5	11.3	
1985 January	16,170.1	53.5		2,411.4	12.9	
February	14,170.1	52.2		1,140.2	6.7	
March	13,481.7	44.8		1,980.1	9.7	
April	13,238.8	44.3		1,378.6	7.7	
May	13,420.3	43.7		1,386.1	7.6	
June	13,980.9	44.2		1,824.0	10.1	
July	10,987.6	38.8		1,916.9	11.5	
August	12,866.5	46.9		1,798.1	10.8	
September ..	14,720.8	44.8		1,694.4	9.9	
October	10,441.7	35.0		1,433.5	8.0	
November ...	12,647.3	40.3		1,710.1	9.7	
December ...	11,754.3	36.6		1,657.6	9.8	
1986 January	11,842.6	35.4		1,978.4	11.6	
February	9,834.9	32.5		2,013.5	11.4	
March	8,379.1	25.1		1,680.4	9.0	
April	5,679.2	18.9	(19.0)	1,326.6	7.4	(7.2)
May	7,928.4	25.1	(25.0)	1,363.2	7.8	(8.0)
June	7,685.0	23.1	(23.2)	2,203.3	11.6	(11.5)
July	6,788.3	19.0	(19.0)	2,226.2	12.6	(12.4)
August	4,444.4	14.4	(14.2)	1,865.2	10.6	(10.8)
September ..	4,448.1	14.8	(14.6)	1,158.5	6.6	(6.9)
October	6,639.5	21.2	(21.0)	1,171.7	6.1	(6.2)
November ...	9,524.8	25.2	(25.1)	1,405.1	7.6	(7.5)
December ...	5,558.6	19.1	(19.2)	1,223.1	6.6	(6.5)
1987 January	7,724.6	24.8	(24.7)	1,315.4	8.0	(7.9)

¹ Beginning with April 1986 data, Census began reporting carryover ratios based on values rounded to tenths of billion dollars (shown in parentheses).

As shown in Table 7.5, the monthly import carryover declined from a high of \$16.2 billion or nearly 55 percent in January 1985 to a low of \$4.4 billion or 14 percent in August 1986. Most if not all of this decline occurred in 1986. The monthly export carryover remained basically unchanged from 1984 levels, staying in the \$1-2 billion or 6-13 percent range.

The size and month-to-month variability in import and export carryover resulted in two very significant changes in Census data operations:

- Census reinstituted a data revisions policy. However, only total merchandise trade figures—total imports, total exports, and the resulting merchandise trade balance—were affected.
- Census discontinued the adjustment of export and import data for seasonality.

Census announced the reinstitution of a data revisions

policy effective with the release of the August 1985 trade data. (This policy continued until the carryover was essentially eliminated by a 2-week delay in the release of the monthly trade figures, effective with the release of the February 1987 data.) The foreign trade data were only revised because of the carryover problem for the 1984-86 period.

Census utilized three new terms:

- *Statistical Month Data*. These are unrevised data; i.e., as originally reported by Census.
- *Revised Statistical Month Data*. These data include the first set of revisions.
- *Actual Month Data*. These data include the first and second sets of revisions.

Statistical month data reflect the dollar values on the import and export documents that are transmitted by the U.S. Customs Service to the Census Bureau

within 15 days of the end of the statistical month.

Since 15 days was insufficient time to record the arrivals of late documents (i.e., reduce or eliminate the carryover), the new data revisions policy allowed an additional 30 days after the end of a month to record data. Thus, revised statistical month data reflect the dollar values on the import and export documents that are transmitted by the U.S. Customs Service to the Census Bureau within 45 days of the end of the statistical month.

Revised statistical month data, however, only correct for 1 month's carryover. Any additional carryover—which is relatively insignificant—is not shifted to the correct month but must wait for the second set of data revisions (i.e., actual month data) that corrects for most, if not all, of the monthly carryover.

The high and variable import carryover in 1984 and 1985 also had implications upon Census' seasonal adjustment program. Specifically, Census announced that the carryover significantly distorted any historical seasonal pattern and made seasonal adjustment largely meaningless. Effective with the January 1986 data, Census discontinued the practice of seasonally adjusting export and import data (the aggregates, commodity sections and groupings, individual countries, and economic areas).

Further analysis of the carryover data showed that most of the late documents arrived shortly after the end of the reporting period for the statistical month. As a result of this finding, Census announced, beginning with the release of the February 1987 foreign trade data, a 2-week delay in the release of the monthly foreign trade figures. The import carryover was almost entirely eliminated by this procedural change.

Export Undercounting

Census estimates that approximately 3.5 percent of total U.S. exports are never recorded. In particular, the undercount of U.S. exports to Canada (i.e., the discrepancy between U.S. exports to Canada and Canadian imports from the United States) has been recognized by U.S. and Canadian statistical officials as being especially significant (Table 7.6).

Exports are not all recorded because export documents are not examined by Customs officials before forwarding to Census. However, import documents are closely examined by Customs officials for completeness and accuracy, with corrections made if necessary, since these documents are the primary statistical basis on which Customs collects import duties on goods arriving in the United States. Thus, import data are generally more accurate than export data.

An agreement between the United States and Canada, signed in 1971, was the basis for the two countries to reach a mutually agreed estimate of their bilateral trade balance. Table 7.6 shows that the export undercount (i.e., undocumented exports) widened considerably in 1986, rising from approximately 13 percent in 1985 to nearly 25 percent in 1986. Almost 25 percent of U.S. exports to Canada—\$10 billion—were unreported (see Table 7.6). Census believes that the large increase in the export undercount reflects the recent deregulation

of the trucking industry; i.e., the newly deregulated truckers failed to file the required export documentation with the U.S. Customs officials.

To correct this problem, the United States and Canada agreed to utilize each other's import documents in compiling their respective export statistics. The export adjustment is based on Canadian import data, after accounting for exchange rate differences as well as differences in commodity classifications, trade definitions, valuation, etc. These estimates of unrecorded U.S. exports to Canada are recorded in Schedule E commodity section 9 as a miscellaneous item.

Census began estimating undocumented U.S. exports with the June 1987 foreign trade figures. The annual data for 1970-86 and the monthly 1987 data were revised to reflect this undocumented export trade with Canada.

Consistency

Data in long time series frequently are not definitionally consistent. This lack of consistency is particularly noticeable if original source data are used in the creation of a time series data base.

The commodities included in total exports and total imports and reported by Census changes over time. As originally reported, exports and imports excluded nonmonetary gold trade as well as trade between the U.S. Virgin Islands and foreign countries. Gold was first included in the 1978 data while Virgin Islands trade was not included until 1981. In addition, imports were originally reported only on a Customs valuation basis; CIF data were first reported in 1974. Undocumented exports to Canada were not estimated by Census until 1987. Census also reported shipments of military grant aid (MGA) with total exports at certain times but excluded at other times.

Table 7.6
U.S. Exports To Canada
(Millions of Dollars and Percent)

	Documented (\$)	Undocumented (\$)	(%)
1970	9,084	517	5.7
1971	10,365	538	5.2
1972	12,415	655	5.3
1973	15,104	1,042	6.9
1974	19,932	1,345	6.7
1975	21,744	1,204	5.5
1976	24,109	1,571	6.5
1977	25,735	1,950	7.6
1978	28,374	2,166	7.6
1979	33,096	4,503	13.6
1980	35,395	4,936	13.9
1981	39,563	5,038	12.7
1982	33,717	4,167	12.4
1983	38,244	5,101	13.3
1984	46,523	5,253	11.3
1985	47,251	6,036	12.8
1986	45,333	10,179	22.5

Census revised some data, but the resulting total export and total import series were not definitionally consistent throughout the period. Tables 7.7 and 7.8 list the definitionally consistent (i.e., adjusted total) trade series for 1970-87. These series are consistent

with the 1987 Census definition of total exports and imports. These two tables also present the values of the adjustments necessary to calculate the definitionally consistent export and import series from the originally reported trade data.

Table 7.7
Total U.S. Merchandise Exports
(Domestic and foreign merchandise, f.a.s.; millions of dollars)

	Total as Originally Reported ¹	Adjustments				Adjusted Total ⁵	Military Grant Aid	Adjusted Total including MGA
		Gold ²	Virgin Islands ³	Carry- Over ⁴	Undocumented Exports to Canada			
1970	42,659.3	4.0	17.0	—	517.0	43,197.3	564.7	43,762.0
1971	43,548.6	24.0	27.0	—	538.0	44,137.6	581.3	44,718.9
1972	49,199.0	28.0	25.0	—	655.0	49,907.0	559.6	50,466.6
1973	70,823.2	50.0	65.0	—	1,042.0	71,980.2	515.6	72,495.8
1974	97,908.1	89.4	44.7	—	1,345.0	99,436.9	599.1	100,036.0
1975	107,130.4	458.9	62.3	—	1,204.0	108,855.6	461.2	109,316.8
1976	114,802.3	347.5	73.3	—	1,571.0	116,794.1	190.1	116,984.2
1977	120,071.4	1,079.0	81.1	—	1,950.0	123,181.5	61.9	123,243.4
1978	143,577.5	—	103.4	—	2,166.0	145,846.9	85.1	145,932.0
1979	181,650.7	—	209.0	—	4,503.0	186,362.6	165.0	186,527.6
1980	220,548.7	—	81.4	—	4,936.0	225,566.1	156.2	225,722.3
1981 ⁶	233,585.8	—	—	—	5,038.0	238,623.8	62.1	238,685.9
1982	212,193.1	—	—	—	4,167.0	216,360.1	81.5	216,441.6
1983	200,485.8	—	—	—	5,101.0	205,586.7	51.9	205,638.6
1984	217,865.2	—	—	857.7	5,253.0	223,975.8	22.9	223,998.7
1985	213,133.0	—	—	-354.1	6,036.0	218,814.9	13.1	218,828.0
1986	217,292.1	—	—	-663.0	10,179.0	226,808.1	12.1	226,820.2
1987	252,852.7	—	—	—	—	252,852.7	13.1	252,865.8

¹ Military grant aid (MGA) is excluded. Revised data are reported for 1970-79.

The 1970-87 time series, as originally reported by Census, is not consistent because the definition of total exports changes over time. Nonmonetary gold was excluded from Census foreign trade data before 1978. The U.S. Virgin Islands was not considered part of the United States for trade data purposes until 1981. Data for 1984-86 were revised by Census to account for end-of-year carryover. Estimates for undocumented exports to Canada were not included until 1987.

² The nonmonetary gold export values were reported in the Census publications FT-2402 and FT-990.

Census did not revise the 1970-74 total export series to include nonmonetary gold exports. For 1977, Census utilizes an implicit gold adjustment of \$1,079.0 million, although the published figure for 1977 gold exports is \$1,042.6 million.

³ U.S. Virgin Islands exports were reported in special reference tabulations and the Census publication FT-990.

Census did not revise the 1970-73 total export series to include exports of the U.S. Virgin Islands.

⁴ This adjustment converts statistical month data to actual month data (1984 and 1985) or to revised statistical month data (1986). The actual month and revised statistical month series reported by Census exclude MGA.

⁵ This is a relatively consistent series and differs from the series published by Census. 1974 includes an additional Census adjustment of \$49.7 million.

⁶ Excludes an erroneously reported shipment of phosphoric acid to the USSR (approximately \$90 million).

Major Trends in U.S. Motor Vehicle and Parts Trade

By Joanne Tucker

Automotive trade has been the single largest U.S. trade deficit sector source, and since 1981 has been sharply rising—reaching well above U.S. mineral fuels deficit size.

Introduction

By any measure, the automotive industry ranks as one of the most important sectors of the U.S. economy, and the economies of many other nations of the world.

The automotive industry also contributes a major share of international trade. Worldwide, motor vehicles and parts accounted for 11-15 percent of OECD trade in 1985. For the United States, motor vehicles and parts contributed 11 percent of total exports in 1987 and 21 percent of imports. Of the \$171 billion total U.S. trade deficit in 1987, automotive trade accounted for more than one-third.

U.S. Automotive Trade in World Perspective

The U.S. share of world production of motor vehicles gradually declined from close to 90 percent during World War II to 21 percent in 1980, when Japan outpaced the United States in vehicle production for the first

Table 7.8
Total U.S. Merchandise Imports
(General Imports, c.i.f.; millions of dollars)

	Total as Originally Reported ¹	Adjustments					Adjusted Total ⁷
		Timing ²	C.I.F. ³	Gold ⁴	Virgin Islands ⁵	Carry-over ⁶	
1970	39,951.6	—	2,437.0	162.0	255.0	—	42,805.6
1971	45,562.7	—	2,779.3	221.0	406.8	—	48,969.8
1972	55,582.8	—	3,279.4	358.0	446.9	—	59,667.1
1973	69,475.7	—	3,723.7	356.0	675.5	—	74,230.9
1974	107,995.7	—	—	396.7	2,014.6	—	110,407.0
1975	103,385.7	—	—	457.0	2,037.4	—	105,880.1
1976	129,564.9	—	—	331.0	2,601.6	—	132,497.5
1977	156,706.5	205.0	—	648.8	2,850.5	—	160,410.8
1978	183,092.9	—	—	—	2,951.6	—	186,044.5
1979	218,858.3	—	—	—	3,369.2	—	222,227.5
1980	252,803.6	—	—	—	4,180.6	—	256,984.2
1981	273,352.2	—	—	—	—	—	273,352.2
1982	254,884.5	—	—	—	—	—	254,884.5
1983	269,878.2	—	—	—	—	—	269,878.2
1984	341,176.8	—	—	—	—	5,187.6	346,364.4
1985	361,626.2	—	—	—	—	-9,163.3	352,462.9
1986	387,081.5	—	—	—	—	-4,117.7	382,963.8
1987	424,082.3	—	—	—	—	—	424,082.3

¹ Revised data are reported for 1970-79. The 1970-87 time series, as originally reported by Census, is not consistent because the definition of total imports changes over time. Data for 1970-73 utilized Customs valuation only; later data also utilized C.I.F. valuation. Nonmonetary gold was excluded from Census foreign trade data before 1978. The U.S. Virgin Islands was not considered part of the United States for trade data purposes until 1981. Data for 1984-86 were revised by Census to account for end-of-year carry-over.

² This adjustment reflects the change in import timing from date of entry (DOE) to date of import (DOI).

³ This is an implicit series derived from published Customs/C.I.F. series.

⁴ The nonmonetary gold import values were reported only Customs/F.A.S. in the Census reports FT-2402 and FT-990; however, in 1978, the Customs, F.A.S., and C.I.F. nonmonetary gold import values were almost identical. The 1970-77 Customs/F.A.S. values were therefore used as proxies for C.I.F. values. Census did not revise the 1970-74 total import series to include nonmonetary gold imports. For 1975, Census utilizes an implicit gold adjustment of \$457.0 million, although the published figure for 1975 gold imports is \$456.6 million. Similarly, for 1977, Census utilizes an implicit gold adjustment of \$648.8 million, although the published figure for 1977 gold imports is \$674.0 million.

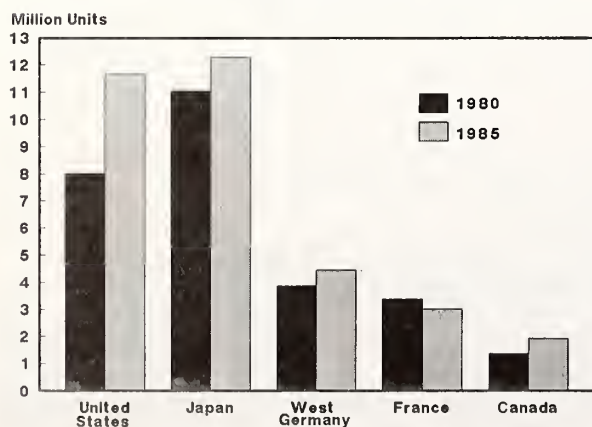
⁵ 1970-73 values were estimated from Customs values utilizing a 5.39 percent C.I.F. conversion factor that was derived from the 1975-77 Customs/C.I.F. relationship. For 1974, a 5.39 percent C.I.F. conversion factor was also used since the factor supplied by Census was too large. This change reduced 1974 imports by \$467.9 million. Census did not revise 1970-73 total imports to include imports by the U.S. Virgin Islands.

⁶ This adjustment converts statistical month data to actual month data (1984 and 1985) or to revised statistical month data (1986).

⁷ This is a consistent series and differs from the series published by Census.

Figure 7.4

WORLD MOTOR VEHICLE PRODUCTION 1980-1985



time. By 1985, the U.S. share had edged back to 26 percent, while Japan accounted for 27 percent of world production (Figure 7.4).

Besides being the largest motor vehicle producer in the world, Japan is also the largest exporter, shipping more passenger cars than any other country in the world. As a share of domestic production, however, West Germany has the highest export ratio, 62 percent of passenger cars exported, followed by Japan and France, each with 58 percent, and other major EC producing countries (22-55 percent). The United States exported only 9 percent of cars manufactured in 1985, excluding U.S.-Canadian passenger car trade.

The United States also ranked below other countries in terms of import penetration, the import share of new car registrations, excluding cars from Canada. Sweden, the United Kingdom, and Italy all had import penetration ratios greater than 40 percent in 1985. The United States and, West Germany both had 27 percent import penetration, while Japan's ratio was 2 percent.

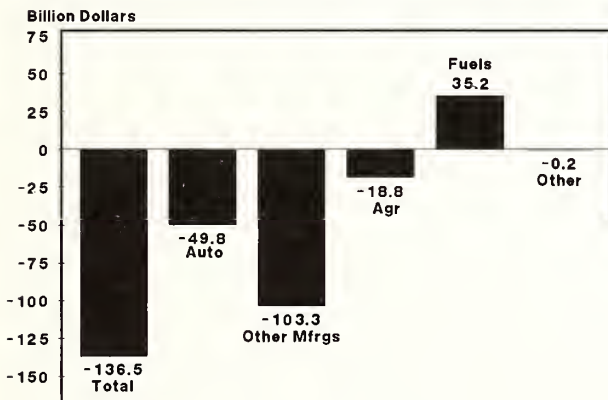
Recent U.S. Automotive Trade Developments

The United States has run deficits in automotive trade every year since 1968, with the 1987 deficit reaching \$62 billion, up sharply from \$12 billion in 1980, according to U.S. Bureau of the Census trade data. In recent years, however, there has been a worsening problem with underreporting of U.S. exports to Canada. When adjustments (based mainly on the more complete Canadian import data) are made to Census data, the 1987 auto trade deficit was \$60 billion, up from \$11 billion in 1980.

Automotive trade has played a significant role in the expanding U.S. total trade deficit for many years (Figure 7.5). Since 1980, auto trade has accounted for about one-third of the total trade deficit. Exports of automotive products accounted for 14 percent of total manufactured goods exports (including autos) in 1987. This share has remained fairly steady since 1970. Imports of automotive products, on the other hand, grew to 26 percent of manufactures imports in 1987 from 20 percent in 1970. The automotive deficit was offset for several years by large surpluses in other transport equipment and machinery. In 1983, however, the deficit in total manufactures exceeded the automotive deficit. By 1987, the automotive deficit accounted for only about two-fifths of the manufactures deficit.

Figure 7.5

CHANGES IN U.S. MERCHANDISE TRADE BALANCES 1980-1987

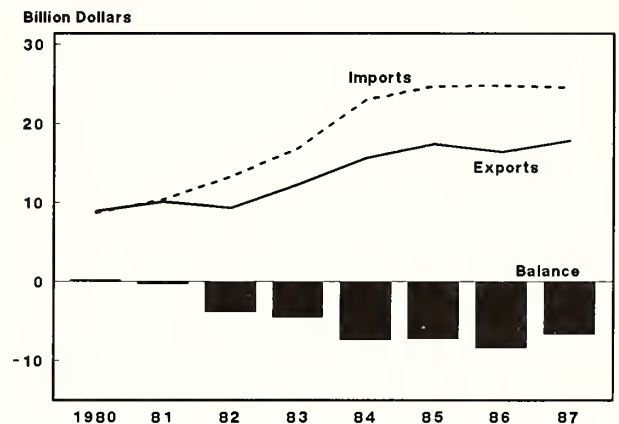


In 1965 the United States and Canada negotiated an agreement which provided for essentially duty-free trade in motor vehicles and original equipment parts between the two countries. The Automotive Products Trade Agreement (called the Auto Pact) enabled the development of an integrated motor vehicle industry which dramatically increased automotive trade within the integrated market. Production has been rationalized with the benefits of specialization and large-scale output now being achieved in both countries. The auto manufacturers regard the United States and Canada as one market. Although classified as exports and imports, the two countries' automotive trade is actually intra-company trade.

U.S. auto imports from Canada quickly surpassed imports from other countries in value but, in 1974, U.S. automotive imports from Japan and Europe again became larger than imports from Canada. On the export side, however, Canada has remained by far the largest U.S. market. U.S. auto trade with Canada was roughly in balance, running small surpluses or deficits, from the inception of the Auto Pact in 1965 until 1982 when a \$3.9 billion U.S. deficit was recorded (Figure 7.6). Since then, the deficit has expanded, reaching \$6.7 billion in 1987, as exports to Canada doubled and imports nearly trebled since 1980. When using exports to Canada adjusted for underreporting, however, the deficit with Canada grew from \$2.3 billion in 1982 to \$3.9 billion in 1987.

Figure 7.6

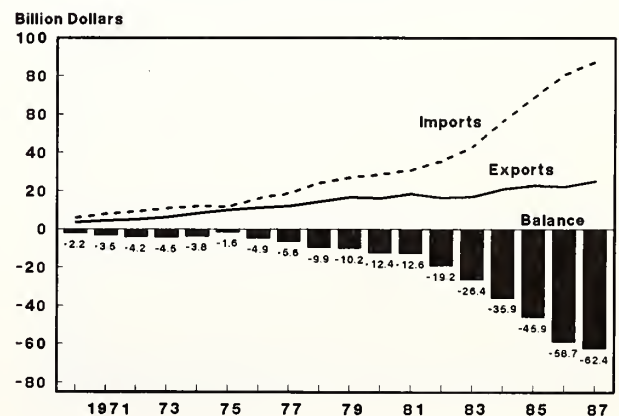
U.S. AUTOMOTIVE PRODUCTS TRADE WITH CANADA, 1980 - 87



The U.S. automotive trade deficit has expanded as import growth outpaced export growth. Between 1970 and 1980, auto imports grew only slightly more rapidly than exports, 17 percent average annual rate versus 16 percent. Since 1980, however, imports grew at an average rate of 17 percent per year while exports grew only 7 percent per year (Figure 7.7). Including undocumented exports to Canada, exports also grew an average of 7 percent a year since 1980.

Figure 7.7

U.S. AUTOMOTIVE PRODUCTS TRADE 1970-1987



Trends in U.S. Automotive Exports

U.S. automotive exports grew from \$16.1 billion in 1980 to \$25.2 billion in 1987, according to official U.S. Bureau of the Census statistics. It is known, however, that the 1985-87 data in particular are incomplete because of a worsening problem with nonreceipt of documents for exports to Canada. The auto industry is one of the industries where the problem is most acute, and most auto exports are shipped to Canada. Estimates of 1987 U.S. export data, based in part on Canadian import data, show a total of \$28 billion, \$3 billion higher than reported.

Exports of automotive parts, engines, bodies and chassis comprised nearly 60 percent of total U.S. auto exports in 1987. Completed cars accounted for almost 30 percent, and trucks, buses, and other special purpose vehicles the remainder (Table 7.9).

Table 7.9

U.S. Exports of Automotive Products to the World, 1983-87 (F.a.s. value, millions of dollars)

Product	1983	1984	1985	1986	1987
Total	17,021	20,974	23,009	22,155	25,164
Passenger cars, new & used	4,335	5,052	6,117	6,412	7,024
Trucks, buses & special purpose vehicles	2,044	2,487	2,802	3,011	3,552
Parts, engines, bodies & chassis	10,642	13,435	14,091	12,732	14,588

Automotive Parts, Engines, and Accessories. U.S. exports of auto parts, engines, bodies tires and tubes—mainly for assembly into finished vehicles—grew to \$15 billion from \$11 billion in 1980. Two-thirds of these exports were shipped to Canada in 1987, mostly under the U.S.-Canadian Auto Pact. The remainder are shipped largely to Mexico, also for assembly into larger parts or complete cars, and the EC countries.

Passenger Cars. Exports of passenger cars grew from \$3 billion in 1980 to \$7 billion in 1987, with a large share of these cars shipped to Canada. In 1985 and 1986, more than 90 percent of these cars were shipped across the border for sale in the Canadian new car market, up from 70 percent in 1980. In 1987, however, the Canadian share fell to 82 percent as U.S. exports to the European Community, Mexico, and the Near East grew at a faster rate. Despite the upturn in 1986 and 1987, exports to the European Community, Japan, Mexico, and the other major markets were much lower than in the late 1970s. Most U.S. manufacturers have overseas affiliates which manufacture for foreign markets. Vehicles made in the United States have characteristics unique to the U.S. market and are not well suited for export.

U.S. exports of passenger cars depend in large part on the strength of the retail market in Canada, and, in particular, the demand for the smaller North American cars, most of which are produced in the United States.

Trucks, Buses, and Special Purpose Vehicles. Exports

of trucks, buses, and special purpose vehicles (mainly motor homes and snowmobiles) picked up sharply in 1987 from the previous year, to surpass the previous peak in 1981. An increasing share of these exports are being shipped to Canada because of the popularity of compact trucks and minivans there. Exports of the larger trucks and vans to Canada and other countries have declined as more manufacturers entered the market.

Trends in U.S. Automotive Imports

U.S. automotive imports expanded from \$29 billion in 1980 to \$88 billion in 1987. More than 40 percent came from Japan, almost 30 percent from Canada (mainly under the Auto Pact), and 18 percent from the EC countries, in particular West Germany. Newer producers, such as Mexico and South Korea, have taken an increasing share of the U.S. auto market. Passenger cars accounted for nearly three-fifths of automotive imports in 1987, a slightly higher share than in most previous years. Automotive parts accounted for 30 percent and trucks and buses 13 percent (Table 7.10).

Table 7.10

U.S. Imports of Automotive Products from the World, 1983-87 (C.i.f. value, millions of dollars)

Product	1983	1984	1985	1986	1987
Total	43,411	56,851	68,937	80,866	87,571
Passenger cars, new & used	24,445	30,560	38,193	46,797	49,236
Trucks, buses & special purpose vehicles	6,180	8,304	10,170	10,890	11,103
Parts, engines, bodies & chassis	12,786	17,987	20,574	23,179	27,231

Passenger Cars. U.S. imports of passenger cars nearly tripled between 1980 and 1987, rising from \$19 billion to \$49 billion. Japan is the largest source of imported cars, accounting for nearly one-half of the total value in 1987. Imports of Japanese cars have been limited, beginning in 1981, by a voluntary restraint agreement (VRA) in which Japanese manufacturers agreed to limit shipments to the U.S. market. Although the number of Japanese cars imported fell in 1981, a shift by the manufacturers toward shipping more expensive models resulted in sharply increasing imports in value terms. Since 1981, the VRA has been renewed each year, changing into a voluntary export agreement (VER) in 1984, with the limit increasing from 1.68 million units in 1981 to 2.3 million units in 1985 where it remains through 1988. The 1987 value of cars imported from Japan was more than double the pre-VRA 1980 value.

Imports of cars from Canada under the Auto Pact also rose sharply following a decline in 1980 as larger cars, whose production had largely been shifted to Canada in the 1970s, became more popular in the United States when gasoline prices declined. Cars from Canada accounted for one-fifth of car imports in 1987, about the same share as in 1980, but down from a

one-quarter share in 1986, reflecting the falloff in U.S. sales of North American type cars in 1987.

West Germany remained the third largest value supplier of U.S. car imports in 1987. Although the number of cars imported from West Germany has declined from levels reached in the late 1970s, the value nearly tripled.

South Korea and Yugoslavia began shipping cars to the United States in 1985. So far Yugoslavia has captured only a small share of the imported car market, but South Korea was the second largest volume supplier of foreign-type cars, accounting for 11 percent of car imports (excluding Canadian) in 1987.

Automotive Parts, Engines, and Accessories. Imports of auto parts, engines, and accessories grew from \$6 billion in 1980 to \$27 billion in 1987. Approximately one-third is shipped across the border from Canada for use in U.S. assembly operations. Imports from Japan and West Germany have grown significantly in recent years, as manufacturers from these countries increased production in assembly plants in the United States. Japan, in particular, has located several plants in the United States. Every major Japanese auto maker is building or planning to build cars in the United States. In 1987, foreign auto makers built over 600,000 units in U.S. plants. U.S. auto manufacturers are also importing increasing numbers of auto parts, particularly from Mexico, Brazil, and Japan.

Trucks, Buses, and Special Purpose Vehicles. U.S. imports of trucks, buses, and special purpose vehicles increased from \$4 billion in 1980 to \$11 billion in 1987. Canada and Japan supply nearly all U.S. truck and bus imports. Those coming from Canada are mainly dutyfree, but the duty on light pickup trucks and cabs from other countries was raised in 1980 from 4 to 25 percent. Despite the tariff hike, imports from Japan soared, but fell slightly in 1987.

Geographic Trends of U.S. Automotive Trade

U.S. automotive trade is mainly concentrated among developed countries. The United States conducts more automotive trade with Canada than with any other country in the world. Japan and West Germany are the next largest trading partners.

Canada accounted for nearly three-quarters of automotive exports in 1987, up from 55 percent in 1980. Sales to many less developed countries, which were significant in 1980, fell sharply (Table 7.11). Japan accounted for 40 percent of U.S. automotive imports in 1987, slightly below its share in 1980. Canada's share also dipped slightly to 28 percent, and West Germany, the other major auto supplier, dropped from 16 to 13 percent (Table 7.12).

The United States runs a deficit in automotive trade with every significant trading partner, but the trade deficit with Japan is by far the largest. Of the total 1987 U.S. auto trade deficit of \$62 billion, the deficit with Japan was \$35 billion. The deficit with West Germany, at \$11 billion, was second largest (Figure 7.8).

Table 7.11

Leading Markets for U.S. Automotive Exports, 1983-87 (F.a.s. value, millions of dollars)

Country	1983	1984	1985	1986	1987
All countries	17,021	20,974	23,009	22,155	25,164
Canada	12,337	15,622	17,432	16,428	17,868
Mexico	824	1,480	2,010	1,888	2,192
Saudi Arabia	750	549	371	296	501
West Germany	273	311	338	370	452
Japan	194	230	237	302	405
Venezuela	305	435	350	374	402
United Kingdom	208	235	225	245	322
Australia	169	236	248	201	249
France	105	103	105	118	245
Kuwait	157	127	93	99	189
Other	1,698	1,645	1,600	1,833	2,339

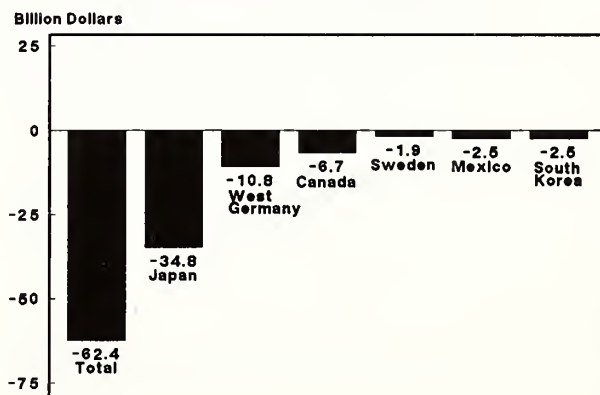
Table 7.12

Leading Suppliers of U.S. Automotive Imports, 1983-87 (C.i.f. value, millions of dollars)

Country	1983	1984	1985	1986	1987
All countries	43,411	56,851	68,937	80,866	87,571
Japan	16,357	20,239	26,583	34,485	35,251
Canada	16,920	23,011	24,703	24,790	24,563
West Germany	4,397	5,953	8,125	10,073	11,207
Mexico	1,311	1,881	2,800	3,273	4,682
South Korea	270	356	396	1,226	2,692
Sweden	1,194	1,355	1,810	1,991	2,102
United Kingdom	678	894	1,099	1,270	1,841
Brazil	459	728	853	959	1,448
France	947	1,098	1,012	908	1,163
Italy	223	342	379	508	678
Other	653	994	1,176	1,384	1,944

Figure 7.8

U.S. TRADE BALANCE IN AUTOMOTIVE PRODUCTS BY COUNTRY, 1987



Reasons for Growing Automotive Trade Deficit and Outlook

Causes of the growing U.S. deficit in automotive products trade are varied and complex. Automotive trade with Canada mainly reflects the auto companies' decisions on location of assembly and production

facilities to maximize efficiency of operations and the conditions in the U.S. auto market. U.S. data show a \$6.7 billion deficit in automotive trade with Canada in 1987, down from the record \$8.4 billion in 1986, but more complete trade data indicate that the deficit declined sharply in 1985 and then edged up in 1986 and again in 1987. The future of U.S.-Canadian auto trade depends to some extent on the acceptance of the U.S.-Canadian free trade agreement by both countries, but although more production may be shifted to Canada to take advantage of lower wage rates, no large changes are expected in this trade.

U.S. auto imports from other countries are strongly influenced by U.S. economic conditions, the world petroleum situation, exchange rate fluctuations, and production quality. U.S. new car sales were at record levels in 1986, surpassing the previous peak in 1978. Import penetration, at 28.3 percent, also set a record. In 1987, sales fell but the import penetration ratio set a new high of 31.1 percent. Expectations are that auto demand will remain at 1987 levels or increase modestly in the next few years if there is no sharp U.S. economic slowdown.

Another factor leading to growing imports of automotive products has been the increase in assembly operations in the United States by foreign auto makers, which has resulted in sharply rising imports of parts for assembly. In addition, U.S. auto manufacturers have shifted to more foreign outsourcing of parts and have also started importing completed cars from Japan.

The sharp oil price increases in the 1970s played a large role in the increasing share of imported cars in the U.S. market as consumers shifted to more gas efficient imports. At the same time, the sharp rise in the exchange rate value of the dollar made imported cars less expensive. Despite the declines in gas prices in the early 1980s, foreign cars continued to take an increasing share of the U.S. market. The fall in the dollar's value since early 1985, however, particularly vis-a-vis the German mark and the Japanese yen, has led to sharply rising prices for imported cars and in 1987 this has cut into the imports' strength. Also, domestic cars have become more fuel efficient, rivaling some of the foreign models.

Production quality has also been a factor in rising import penetration, and indications are that this will remain an important consideration in consumer purchasing trends. U.S. manufacturers have been narrowing the gap in product quality with the Japanese, however, which should lead to a drop in import penetration.

U.S. Agricultural Trade—The Surplus Expands

By Joanne Tucker

Declining agriculture surpluses turned around in 1987, in response to U.S. farm programs and dollar depreciation.

Introduction

No other country in the world has been as richly

endowed with land and climate favorable for agriculture as the United States. U.S. farmers, the most efficient in the world, have been able to expand production at a rate substantially greater than the growth of domestic demand. Agricultural exports have become very important to U.S. farmers, at one time accounting for one out of every four dollars of farm sales and 40 percent of farm acreage. Exports of several agricultural products, such as soybeans, coarse grains, and animal hides, account for a major portion of U.S. production.

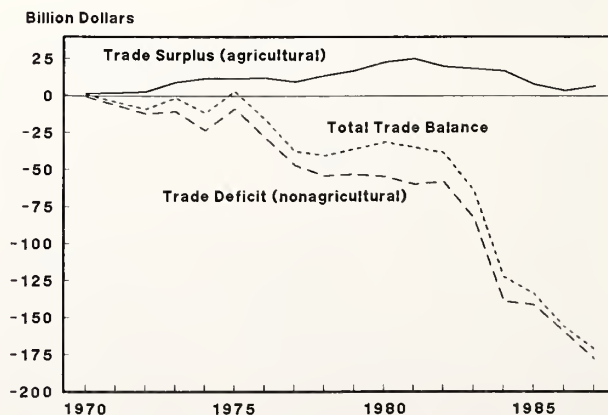
In addition to being the largest exporter of agricultural products in the world, the United States is also among the world's largest importers of agricultural goods. Roughly two-fifths of U.S. farm imports are goods such as coffee, cocoa, and bananas which are not produced in any significant volume in the United States.

Recent U.S. Agricultural Trade Developments

When the U.S. total trade balance shifted into deficit in the late 1960s, the cause of the deficit was nonagricultural trade. Agricultural trade remained the bright spot in the trade picture, with a surplus which expanded almost continuously until 1981 (Figure 7.9). Even after the agricultural trade surplus peaked at \$25 billion in 1981, the surplus remained sizeable, helping to soften the economic impact of sharply increasing nonagricultural deficits. By 1986, however, the agricultural surplus had shrunk to \$3.4 billion. But 1987 saw an upturn in the agricultural trade surplus to \$6.5 billion, spurred by new U.S. farm programs and the decline in the exchange rate value of the U.S. dollar. The deficit in total U.S. trade for 1987 was \$171 billion.

Figure 7.9

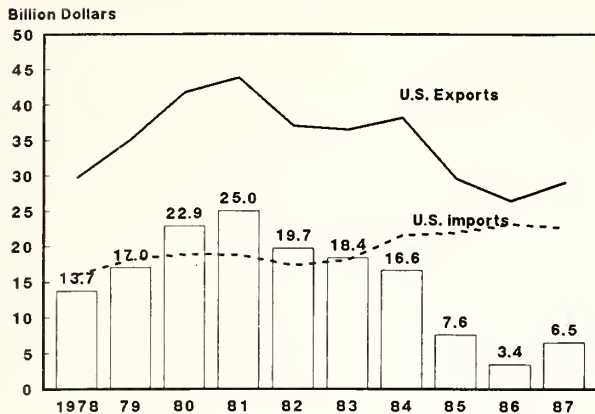
U.S. TRADE BALANCES 1970-1987



The shrinking agricultural trade surplus in 1982-86 reflected the sharp decline in both the volume and value of agricultural exports. After reaching a high of \$43.8 billion in 1981, agricultural exports fell 39 percent to \$26.6 billion in 1986, then rebounded to \$29.1 billion in 1987. Agricultural imports, on the other hand, rose steadily after a slight falloff in 1982 to \$23.1 billion in 1986, then declined to \$22.6 billion in 1987 (Figure 7.10).

Figure 7.10

U.S. AGRICULTURAL GOODS TRADE 1978 - 1987

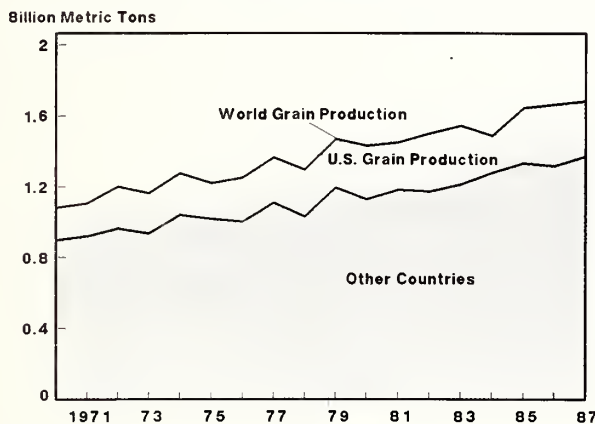


U.S. Agricultural Trade in World Perspective

The U.S. share of world agricultural production grew from 13 percent in the early 1950s to almost 19 percent in 1981 before dropping back to 13 percent in 1986. In grain production, the United States holds an even larger share, accounting for 19 percent in 1987, down from 22 percent in 1982 (Figure 7.11).

Figure 7.11

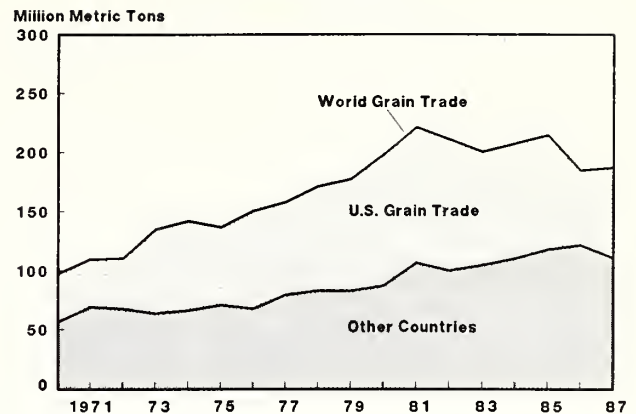
WORLD GRAIN PRODUCTION 1970-1987



The United States accounts for a much larger share of world agricultural trade than production. In total world agricultural trade, the U.S. market share grew from 14 percent in 1970 to 19 percent in 1981, primarily because of increased export volumes in grain and soybeans. However, the U.S. share fell back to 14 percent in 1985 and 12 percent in 1986 because of falling export volume and prices of grains and soybeans. In 1970, the U.S. share of world grain trade was 42 percent. By 1980, this share had grown to 56 percent, then declined to 35 percent in 1986, but rebounded to 41 percent in 1987 (Figure 7.12).

Figure 7.12

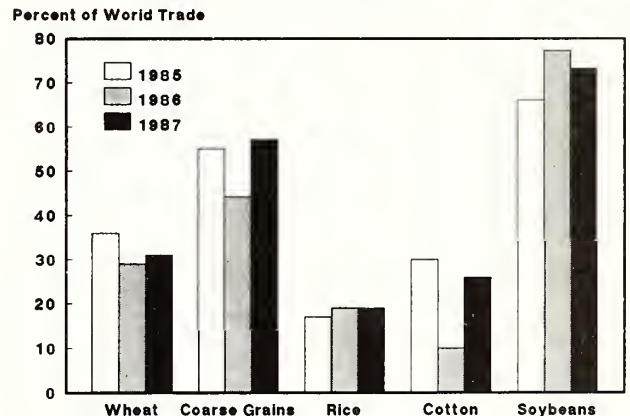
WORLD GRAIN TRADE 1970-1987



The United States accounts for 30 to 65 percent of global exports of wheat, coarse grains, and soybeans, the major U.S. agricultural commodities traded internationally. In addition, the United States accounts for 20 to 25 percent of world rice and cotton exports (Figure 7.13).

Figure 7.13

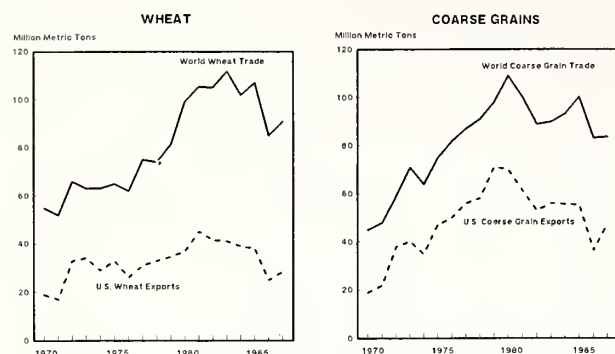
U.S. SHARE OF WORLD COMMODITY TRADE 1985-1987



The U.S. share of world wheat and coarse grain (corn, sorghum, barley, oats, rye, and mixed grains) exports declined sharply in the 1985-86 crop year. The decline was due to depressed world trade volume, in which U.S. exports bore the brunt of the decline. In 1987, however, U.S. export shares of most commodities began to grow. U.S. wheat exports captured more than half of the world market in the early 1970s. By 1986 this share had declined to 29 percent, but in 1987 it edged up to 31 percent. In coarse grains, the United States accounted for 72 percent of world trade in 1980, only 44 percent in 1986, but 57 percent in 1987 (Figure 7.14). In the past, when world trade volume has been expanding the United States has generally done very well. On the other hand, when world trade has contracted, the sales reductions have often come primarily at U.S. expense.

Figure 7.14

U.S. SHARE OF WORLD WHEAT AND COARSE GRAINS TRADE, 1970-1987



Although the U.S. share of world trade is much lower than its 1981 peak, the United States continues to account for a major portion of many countries' imports. In 1985, the United States accounted for 30 or more percent of the agricultural imports of Japan, Canada, South Korea, Mexico, Taiwan, Venezuela, Portugal, Brazil, and Israel.

Trends in U.S. Agricultural Exports

Corn was the largest single commodity exported for several years, followed by soybeans and wheat (Table 7.13). By 1986, however, corn exports were surpassed in value by soybeans as corn shipments dropped by one-half. In the early 1970s, wheat, corn, and soybeans were also the largest export commodities.

Table 7.13

Leading U.S. Agricultural Export Commodities, 1983-87 (Millions of dollars)

Commodity	1983	1984	1985	1986	1987
Total agricultural	136,456	38,230	29,619	26,619	29,135
Oilseeds	6,325	6,170	4,291	4,636	4,599
Corn	6,480	7,081	5,319	2,718	3,314
Wheat	6,239	6,477	3,602	3,010	3,045
Animal feed	2,780	2,222	1,884	2,612	2,680
Fruits and nuts	1,350	1,342	1,435	1,577	1,801
Meat	1,112	1,130	1,091	1,366	1,700
Cotton	1,839	2,458	1,653	797	1,643
Hides and skins	808	1,174	1,090	1,332	1,468
Tobacco	1,472	1,524	1,530	1,225	1,106
Vegetables	622	638	561	670	708

The following sections detail major trends for the leading export commodities and the major U.S. markets. Some of the commodity-by-country data which follows, especially for grains, may give inflated totals for Canada and the Netherlands. The reason is that these countries are major transshipment points and may be listed as

the country of destination when, in fact, the shipment may only be stored in that country temporarily before transfer to its final destination.

Soybeans

U.S. soybean exports have fallen sharply from their peak of \$6.2 billion in 1982 to \$4.3 billion in 1987. Soybean exports have not fallen as steeply as other bulk commodities in the export decline, however. U.S. production has declined, in part due to lower prices and growing production in other countries, particularly in Brazil and Argentina.

Japan and the Netherlands are the largest markets for U.S. soybeans. In 1987, these two countries each took 18 percent of U.S. exports (Table 7.14).

Table 7.14

Leading Markets for U.S. Soybean Exports, 1983-87 (Millions of dollars)

Country	1983	1984	1985	1986	1987
World	5,924	5,438	3,906	4,334	4,343
Netherlands	960	878	639	679	793
Japan	1,210	1,173	938	839	793
Taiwan	363	391	322	359	380
Spain	519	438	251	349	325
West Germany	423	197	185	230	286
South Korea	202	188	186	206	232
Mexico	239	484	394	179	220
Belgium & Luxembourg	286	241	112	197	177
Portugal	181	163	111	107	119
Italy	158	158	142	163	98
Other countries	1,384	1,128	628	1,027	927

Corn

U.S. corn exports began to bounce back in 1987 after a sharp fall from their peak levels in 1980, when competition in the world markets intensified as a result of bumper crops abroad in the last 2 years and relatively weak world import demand. Exportable supplies have surged in the traditional corn exporting countries, as well as in several small nontraditional exporters such as China, New Zealand, and Sweden. In addition, U.S. sales to the EC declined sharply as a result of the increasing EC corn import levy which provides a prohibitive barrier to EC imports.

Soviet purchases of U.S. corn fell off sharply in 1986, as they failed to contract for the minimum amount of grain specified in the U.S.-USSR grain purchase agreement. The Soviets also failed to meet their commitments to purchase grain from Argentina. The Soviets, however, expanded their purchases of U.S. grain in 1987.

Japan is, in most years, by far the largest U.S. market for corn. In 1987, corn shipments to nearly all major U.S. markets increased (Table 7.15).

Table 7.15

Leading Markets for U.S. Corn Exports, 1983-87
(Millions of dollars)

Country	1983	1984	1985	1986	1987
World	6,480	7,081	5,319	2,718	3,314
Japan	1,764	1,999	1,305	878	1,036
Soviet Union	391	1,390	1,502	281	381
South Korea	560	328	210	130	356
Mexico	676	415	204	145	283
Taiwan	431	425	374	271	251
Egypt	185	220	176	157	118
China	158	2	0	4	95
Algeria	49	62	60	32	60
Spain	339	225	221	115	52
Other countries	1,928	2,014	1,267	705	680

Wheat

U.S. wheat exports declined from 1981 to 1986, both in value and in share of world trade, as competitive exporters measurably increased their trade. World wheat production expanded sharply until 1984, while import markets contracted, causing a decline in world prices. This was the result of not only greater production by other traditional exporters, such as Canada, Australia, and Argentina, but also self-sufficiency attained or brought closer by former major importers. Canada now imports half the volume it did 5 years ago, and India has been self-sufficient for several years. In 1987, U.S. wheat exports held steady in value but grew 25 percent in volume, reflecting lower prices and reduced supplies of high-quality wheat in other countries.

The Soviet Union was the major U.S. wheat market for several years until 1985, when purchases fell off. In 1986, the Soviets failed to make any of the purchases agreed on in the Long-Term U.S.-Soviet Grain Agreement, although remaining a heavy importer of wheat from other countries. In 1987, the Soviet Union was again the top market as exports were boosted by lower loan rates and the Export Enhancement Program (EEP). Japan was also a major market for wheat exports (Table 7.16).

Table 7.16

Leading Markets for U.S. Wheat Exports, 1983-87
(Millions of dollars)

Country	1983	1984	1985	1986	1987
World	6,239	6,477	3,602	3,010	3,045
Soviet Union	801	1,171	159	0	389
Japan	589	534	469	424	352
Egypt	294	183	190	208	232
South Korea	305	294	270	240	231
Algeria	105	82	116	197	176
Morocco	162	246	54	138	154
China	378	575	97	6	139
Philippines	145	122	115	107	104
Taiwan	107	109	99	102	104
Bangladesh	65	156	81	79	82
Other countries	3,289	2,905	1,952	1,508	1,099

Trends in U.S. Agricultural Imports

For many years coffee was by far the largest single U.S. agricultural import commodity. But in 1987, fruits and nuts imports surpassed coffee in value. Sugar imports, which were larger than coffee in the mid-1970s, have been declining for several years (Table 7.17).

Table 7.17

Leading U.S. Agricultural Imports, 1983-87
(C.i.f. value; millions of dollars)

Commodity	1983	1984	1985	1986	1987
Total agricultural	18,102	21,582	21,967	23,116	22,624
Fruits and nuts	2,237	3,120	3,236	3,289	3,627
Coffee	2,924	3,441	3,492	4,703	3,061
Meat	2,233	2,223	2,457	2,582	3,014
Alcoholic beverages	1,570	1,777	1,910	2,054	2,131
Vegetables	1,146	1,327	1,383	1,536	1,506
Cocoa	756	978	1,209	1,023	1,135
Rubber	731	915	746	691	837
Crude vegetable matter ..	490	595	636	672	751
Tobacco	491	666	571	625	624
Sugar	1,284	1,532	1,201	916	621

Following are sections detailing the largest U.S. agricultural import commodities and the major sources of supply.

Fruits and Nuts

U.S. imports of fruits and nuts have grown steadily during the last several years. Bananas account for about one-third of U.S. imports of fruits and nuts. Most bananas come from Central America. Other major imports include orange juice concentrate, mainly from Brazil, cashew nuts from India and Brazil, and grapes, mainly from Chile. Major suppliers of fruits and nuts imports are shown in Table 7.18.

Table 7.18

Leading Suppliers of U.S. Fruits and Nuts Imports, 1983-87
(C.i.f. value, millions of dollars)

Country	1983	1984	1985	1986	1987
World	2,237	3,120	3,236	3,289	3,627
Brazil	361	892	662	611	710
Chile	159	190	267	278	336
Honduras	177	199	215	197	292
Mexico	165	190	162	210	289
Ecuador	135	172	248	250	221
Costa Rica	205	207	189	215	210
Colombia	124	151	140	163	195
India	79	100	107	139	161
Philippines	138	158	190	155	159
Other countries	694	860	1,054	1,070	1,055

Coffee

Coffee accounted for 21 percent of total U.S. agricultural imports in 1980, but this share fell to 14 percent by 1987. In late 1985 and early 1986, the possibility of a crop shortfall resulting from the 1985 Brazilian drought caused coffee prices to soar. The value of U.S. coffee imports grew sharply in 1986, due to the higher prices and also to other countries, principally Guatemala and Mexico, making up the Brazilian shortfall. Coffee prices began to return to more normal levels in mid-1986, and the value of coffee imports fell to \$3 billion in 1987, the lowest level in 4 years.

Except for 1986 when coffee imports from Brazil fell, Brazil has been the largest coffee supplier to the U.S. market, followed by Colombia and Mexico. U.S. imports from nearly all of the Western Hemisphere coffee producing nations have grown in importance since 1980 as their production increased, while imports from Indonesia and the African producers have generally lost share in the U.S. market (Table 7.19).

Table 7.19

Leading Suppliers of U.S. Coffee Imports, 1983-87 (C.i.f. value, millions of dollars)

Country	1983	1984	1985	1986	1987
World	2,924	3,441	3,492	4,703	3,061
Brazil	721	852	823	621	596
Colombia	327	422	491	698	433
Mexico	277	324	370	580	401
Guatemala	152	206	194	393	225
Ecuador	142	172	169	286	163
El Salvador	202	201	255	271	162
Indonesia	159	172	163	228	115
West Germany	33	67	72	126	110
Costa Rica	39	51	65	98	87
Uganda	110	97	119	139	84
Other countries	761	876	772	1,263	685

Meat

Before expanding in 1987, U.S. meat imports remained fairly stable over the last several years in total value, although commodity composition and levels of imports from major suppliers have changed. Beef imports, which are subject to quota restrictions, declined since 1980 before expanding in 1987 when domestic beef supplies fell. Australia and New Zealand supply nearly 80 percent of U.S. beef imports. Imports of pork and canned hams, on the other hand, have risen sharply for several years. Pork is mainly imported from Canada, while canned hams come largely from Denmark and Poland. The major sources of U.S. meat imports are listed in Table 7.20.

Table 7.20

Leading Suppliers of U.S. Meat Imports, 1983-87 (C.i.f. value, millions of dollars)

Country	1983	1984	1985	1986	1987
World	2,233	2,223	2,458	2,582	3,014
Australia	662	547	569	654	800
Canada	329	410	454	526	607
New Zealand	404	348	405	373	483
Denmark	229	337	406	407	406
Argentina	119	112	126	113	160
Poland	95	86	103	126	136
Brazil	88	91	78	51	76
Costa Rica	40	49	56	77	70
Hungary	32	34	43	41	45
Other countries	236	209	218	231	231

Geographic Trends of U.S. Agricultural Trade

Geographic trading patterns are different for U.S. agricultural exports and imports. The developed countries accounted for 54 percent of U.S. agricultural exports in 1987, and the top three U.S. export markets are developed countries—Japan, Netherlands, and Canada (Table 7.21). Developing countries accounted for 40 percent of U.S. agricultural exports in 1987, and centrally planned economies 6 percent.

Table 7.21

Top U.S. Agricultural Export Markets, 1980-81 and 1986-87 (Millions of dollars)

Country	1980	1981	1986	1987
Japan	6,117	6,570	5,100	5,714
Canada	2,211	2,322	1,829	2,141
Netherlands	3,429	3,313	2,078	1,979
South Korea	1,799	2,009	1,314	1,855
West Germany	1,833	1,767	1,138	1,309
Taiwan	1,096	1,146	1,116	1,286
Mexico	2,503	2,438	1,098	1,212
Soviet Union	1,047	1,665	647	923
Italy	1,126	1,184	723	698
Egypt	770	967	796	675

On the import side, purchases from the developed countries constitute only 44 percent of U.S. agricultural imports. The developing countries account for 54 percent of imports, while centrally planned economies account for 3 percent. Canada, Brazil, and Mexico, the three largest suppliers of U.S. agricultural imports, all supplied about \$2 billion in 1986 and 1987 (Table 7.22).

Table 7.22

**Top Suppliers of U.S. Agricultural Imports,
1980-81 and 1986-87
(Millions of dollars)**

Country	1980	1981	1986	1987
Canada	1,077	1,408	2,022	2,234
Brazil	2,155	2,190	1,972	2,085
Mexico	1,099	1,143	2,044	1,899
Australia	1,305	1,216	910	1,147
Colombia	1,085	669	1,096	869
New Zealand	701	683	693	814
Netherlands	447	460	787	796
France	485	492	823	769
Indonesia	835	726	742	764
Italy	466	504	610	685

Trade Surplus Countries

The U.S. agricultural trade surplus with Japan—\$5.5 billion in 1987—was nearly as large as the total U.S. agricultural trade surplus. Japan is by far the largest market for U.S. farm products and, despite export declines in 1985 and 1986, shipments rebounded in 1987, and the U.S. surplus is still very large (Table 7.23).

Table 7.23

**Top Surplus Countries in U.S. Agricultural Trade
1980-81 and 1986-87
(Millions of dollars)**

Country	1980	1981	1986	1987
Japan	6,004	6,437	4,867	5,476
South Korea	1,732	1,928	1,255	1,773
Netherlands	2,981	2,852	1,291	1,183
Taiwan	926	998	956	1,069
Soviet Union	1,039	1,652	631	901

Trade Deficit Countries

The largest U.S. trade deficit in farm products is with Brazil. The United States previously ran sizeable surpluses with Mexico, but in 1987 recorded a \$687 million deficit with Mexico (Table 7.24).

Table 7.24

**Top Deficit Countries in U.S. Agricultural Trade
1980-81 and 1986-87
(Millions of dollars)**

Country	1980	1981	1986	1987
Brazil	-1,473	-1,478	-1,416	-1,792
Australia	-1,194	-1,087	-769	-1,018
New Zealand	-664	-614	-652	-745
Colombia	-818	-446	-984	-737
Mexico	1,404	1,294	-946	-687

Factors Behind the Shrinking Surplus

The decline in U.S. agricultural exports from 1982 to 1986 was due to the world oversupply situation, the shrinking world market, and reduced U.S. competitiveness in the world market. The turnaround in 1987 came about as U.S. competitiveness improved, largely because of U.S. Government programs and the decline in the exchange rate value of the dollar.

Three major factors have an impact on the world agricultural market and the U.S. role—public policy, economic factors, and natural resources.

Public Policy Factors

Public policy factors, which may enhance or reduce participation in the international marketplace, affect agricultural trade in almost every country of the world. Public policy factors include trade agreements and countertrade practices; price supports and other subsidies; government organizational structures, such as state trading companies; nontariff barriers; levies, such as the EC duty on grain imports; credit policies for foreign purchasers; and sales suspensions, moratoriums, and embargoes.

The public policy factors which have affected world agricultural trade most in recent years have been price supports and other subsidies. The U.S. support programs stabilize farm income and prices by establishing a target price for a commodity and using deficiency payments and nonrecourse loans to maintain that price. This practice encourages production without regard to market conditions, increases government-owned surpluses, and makes U.S. commodities less competitive in the international marketplace. The Farm Security Act of 1985, among other things, reduced commodity price supports and subsidized agricultural commodity exports in order to increase sales of U.S. agricultural products. Most of the provisions of this farm bill did not take effect until mid-1986, so it is too early to assess the effects, but preliminary indications are that farm exports have picked up.

The EC subsidizes exports of grain under the Common Agricultural Policy (CAP), allowing their products to compete at lower price levels in the world marketplace. Recently, the United States instituted the Export Enhancement Program (EEP) to match export subsidies paid by other countries and increase U.S. competitiveness.

Economic Factors

Economic factors on both the production and consumption sides of the market also influence world agricultural trade. The main supply side factors include costs of production and technological change. On the demand side, world economic growth and exchange rate fluctuations are important.

Increased productivity has been in large part responsible for the world overproduction of agricultural products. Traditional exporting countries, such as the United States, Canada, Argentina, and Australia, have been able to increase production far above domestic needs. In addition, former importers, including India

and the EC, have become self-sufficient or net exporters.

Lagging economic growth in some countries, particularly developing countries, in the last few years has limited their ability to import. Mexico, formerly one of the largest markets for U.S. agricultural goods, imported only \$1.2 billion in farm products from the United States in 1987, down from \$2.5 billion in 1980.

The rising value of the U.S. dollar in the early 1980s, which caused prices of U.S. farm products abroad to increase sharply, had a negative impact on U.S.

competitiveness in world markets. Exchange rate changes seem to have had very little effect on U.S. imports of agricultural products.

Natural Resource Factors

Weather conditions, while completely unpredictable, can have a major impact on world agricultural trade. The Soviet Union's import needs depend to a large extent on weather conditions.

STATISTICAL APPENDIX

Data Notes

The data in this report on U.S. foreign trade in merchandise and services are not uniformly based. Different data are used for reporting on merchandise and services trade. Merchandise trade data also differ between those originally reported (Census basis) and those transformed for balance-of-payments reporting. Merchandise trade data are initially produced by the Bureau of the Census, U.S. Department of Commerce, from records obtained directly from international shipments by the Bureau of Customs, U.S. Treasury Department. Services trade data are initially produced by the Bureau of Economic Analysis (BEA), U.S. Department of Commerce, from its own surveys and Census data. Merchandise trade data are also produced by BEA from these sources for reporting the U.S. balance of payments after adjusting the Census data to conform with the national income and product accounts.

Merchandise Trade Data

U.S. merchandise exports and imports from foreign countries consist of government and nongovernment shipments.

All Census total U.S. merchandise trade data in this report for 1984-86 are those reported by Census on a "revised" basis. Totals for 1970-87 include Census estimates for undocumented U.S. exports to Canada.

The merchandise trade data in this report are on the same basis as the data first released each month by Census. That is, merchandise export data are the total of domestic and reexported or foreign merchandise, valued on a f.a.s. basis (free along side the international carrier at the port of exportation). Unless otherwise indicated, all U.S. export data include Military Grant Aid (MGA) and Special Category shipments. Merchandise import data are for general imports, valued on a c.i.f. basis (cost, international insurance, and freight). General imports (in contrast to imports for consumption) reflect total arrivals of merchandise, either immediately entering consumption channels, or entering warehouse storage or processing under Customs' custody.

The merchandise trade data in this report on product sectors or classes for the years before 1987 have been adjusted using the foreign trade classification concordance provided by Census for 1987. These adjustments were made to improve the comparability of those classes for the entire period. As a result, the data for individual sectors or classes for prior years may differ

slightly from those reported in Census publications.

In this report, "manufactures" trade covers SITC (Standard International Trade Classification) sections 5-9. Other commodity aggregations, such as "agriculture," conform with Census merchandise trade data classification groupings. Manufactures include Census estimates for the total undocumented U.S. exports to Canada, as they are reported by Census in a class that is in SITC 9.

For more detailed trade data, see the ITA publication *1987 U.S. Foreign Trade Highlights*. For additional information on foreign trade data methodology, refer to the ITA publication *Understanding United States Foreign Trade Data*, available from the U.S. Government Printing Office (GPO stock number 003-009-00463-2).

The data on high-tech trade are based on the U.S. Department of Commerce DOC-3 definition. A list of the products covered and basis of definition will be supplied on request. All of these products are manufactures.

In this report the major country groups and the countries included are:

EC-12 (European Community): Belgium, Denmark, France, West Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom.

OPEC (Organization of Petroleum Exporting Countries): Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.

Western Hemisphere Developing Countries (Latin America): All countries of North and South America (including the Caribbean Island nations) except for Canada, Cuba, and the United States.

East Asian NICs (Newly Industrialized Countries): Hong Kong, Singapore, South Korea, and Taiwan.

CPEs (Centrally Planned Economies): Albania, Bulgaria, Cambodia, China, Czechoslovakia, East Germany, Hungary, Laos, Mongolia, North Korea, Poland, Romania, the U.S.S.R., and Vietnam.

Business Services Data

Business services are those provided to facilitate merchandise trade (mainly international insurance and freight) and other business services such as tourism, passenger transportation, other insurance, financial services, and fees and royalties. These business services

do not include services provided directly by governments. The business services data in this report do not include international income (receipts) from interest payments and dividends, as such transactions do not relate directly to international trade in merchandise or services.

Business services are classified as imports or exports according to the nation that provides them. For example, international transportation services provided by a foreign-owned transport line to bring imported merchandise to the United States are U.S. transportation services imports.

Census Schedules A and E Product Composition

The following products are covered in the 2-digit groups described in Chapter 3 of this report.

Section 5—Chemicals and Related Products

- 51—*Organic Chemicals*: Hydrocarbons, specified cyclic organic chemicals, alcohol mixtures, pesticides, plasticizers, and fatty substances.
- 52—*Inorganic Chemicals*: Radioactive and associated materials, non-radioactive isotopes, uranium oxide, chemical elements, inorganic acids, ammonia, and inorganic drugs.
- 53—*Dyeing, Tanning, and Coloring Materials—Natural and Synthetic*: Color toners, synthetic dyes, dyeing and tanning extracts, paints, varnishes, lacquers, enamels, glazes, and related products.
- 54—*Medicinal and Pharmaceutical Products*: Vitamins, antibiotics, vaccines, glycosides, and other pharmaceutical products.
- 55—*Essential Oils and Perfume Materials, Toilet, Polishing and Cleansing Preparations*: Oils, perfumes, deodorant preparations, cosmetics, soaps, washing agents, and shoe polish.
- 56—*Fertilizers and Fertilizer Materials, Not Specifically Provided For*.
- 57—*Explosives and Pyrotechnic Products*: Explosives, blasting caps, fireworks, and signal flares.
- 58—*Synthetic Resins, and Rubber or Plastic Materials, Including Waste and Scrap*: Cellulosic plastic materials, hardened protein resins, modified natural resins, rubber containing processing chemicals, rubber cements, plastic products, rubber and plastic films, and waste and scrap.
- 59—*Chemical Materials and Products, Not Specifically Provided For*: Pesticides, gelatin, cornstarch, tall oil, turpentine, waxes, preparations for fire extinguishers, and miscellaneous chemical products.

Section 6—Manufactured Goods Classified Chiefly by Material

- 61—*Leather, Leather Manufactures, Not Specifically Provided For, and Dressed Fur Skins*: Sheep, horse, lamb and pig leather; machine belting of leather; and dressed fur skins.
- 62—*Rubber or Plastic Tires and Tubes*: Pneumatic

and non-pneumatic tires for cars, trucks, and buses; tubes for tires.

- 63—*Cork and Wood Manufactures, Excluding Furniture*: Sheets, slabs, and articles of cork; plywood, wood blocks, and wood manufactures; barrels, and wood for decorative use.
- 64—*Paper, Paperboard, and Manufactures Thereof*: Newsprint paper, paperboard, paper pulp, stationery, paper sanitary products, and paper bags.
- 65—*Textile Yarn, Fabrics, Made-Up Articles and Related Products*: Silk, wool, cotton, nylon, and man-made threads and yarn; woven cotton fabrics; woven man-made fabrics; silk, wool woven fabrics; knit fabrics; narrow fabrics; elastic yarns, cordage, and braids; hoses, and linoleum floor coverings.
- 66—*Nonmetallic Mineral Manufactures, Not Specifically Provided For*: Lime, cement, clay; unworked, sheet and plate glass; glassware, pottery, and diamonds.
- 67—*Iron and Steel*: Pig iron; iron or steel ingots, rods, plates, sheets, etc.; iron or steel castings, wires, etc.
- 68—*Non-ferrous Metals*: Silver, platinum, copper, nickel, lead, zinc, tin, tungsten, and related alloys.
- 69—*Manufactures of Metal, Not Specifically Provided For*: Iron and steel structures; metal containers; fencing; tacks, nuts, bolts, etc.; hand tools, cutlery, heating and cooking apparatus, chains, springs, anchors, and household appliances.

Section 7—Machinery and Transport Equipment

- 71—*Power Generating Machinery, and Parts Thereof, Not Specifically Provided For*: Steam boilers, engines, turbines, and parts thereof; aircraft and marine engines; rocket turbines; electric motors and generators; nuclear reactors.
- 72—*Machinery Specialized for Particular Industries*: Farming equipment, engineering machinery, leatherworking machinery, textile machinery, printing presses, flour and grain mill machinery, other related equipment.
- 73—*Metalworking Machinery*: Metal-cutting and forming machine tools, ingot molds, casting machines, rolling mills, and various welding and brazing equipment.
- 74—*General Industrial Machinery and Equipment, Not Specifically Provided For, and Machine Parts, Not Specifically Provided For*: Oil and gas burners for heating air-conditioning machines, pumps, air or gas compressors, fork-lifts, fans, valves, and parts thereof not specifically provided for.
- 75—*Office Machines and Automatic Data Processing Equipment and Parts, Not Specifically Provided For*: Typewriters, calculators, computers and related peripherals, copiers, and parts thereof not specifically provided for.
- 76—*Telecommunications and Sound Recording and*

Reproducing Apparatus and Equipment: Televisions, radios, phonographs, microphones, loudspeakers, radio transmitters and receivers, and telegraph equipment.

- 77—*Electrical Machinery, Apparatus and Appliances, Not Specifically Provided For, and Electrical Parts Thereof:* Transformers, printed circuit boards, insulated conductors, X-ray equipment, household refrigerators and dishwashers, shavers, integrated circuits, and other electrical apparatus not specifically provided for.
- 78—*Road Vehicles:* Automobiles, buses, trucks, motorcycles, trailers, and parts thereof.
- 79—*Transport Equipment, Not Specifically Provided For:* Trains, airplanes, spacecraft, ships, boats, and parts thereof.

Section 8—Miscellaneous Manufactured Articles

- 81—*Sanitary, Plumbing, Heating and Lighting Fixtures, Fittings, Lamps and parts Thereof:* Warm air furnaces, cooking apparatus, sanitary and plumbing fixtures, and light fixtures and fittings.
- 82—*Furniture and Parts Thereof:* Furniture, including mattresses, bedsprings, pillows, cushions, and parts thereof.
- 83—*Travel Goods, Handbags, and Other Personal Goods:* Handbags and other personal travel items.
- 84—*Articles of Apparel and Clothing Accessories:* Clothing for men, women, and children, both of natural and man-made materials, including headware, gloves, and rainwear.
- 85—*New Footwear Except Military and Orthopedic Wear.*

86—*Professional, Scientific, and Controlling Instruments and Apparatus Not Specifically Provided For:* Optical instruments, medical instruments not specifically provided for, meters and counters such as tachometers and gas meters, compasses, meteorological and geophysical instruments, and others not specifically provided for.

88—*Photographic Apparatus, Equipment and Supplies and Optical Goods, Not Specifically Provided For, and Watches and Clocks:* Cameras, motion-picture cameras; photographic supplies, chemicals, and film; lenses and prisms; spectacles and frames; watches and clocks.

89—*Miscellaneous Manufactured Articles, Not Specifically Provided For:* Printed matter, baby carriages, children's toys, non-military arms and ammunition, art pieces, jewelry, musical instruments, umbrellas, brooms, and buttons.

Section 9—Commodities and Transactions Not Classified Elsewhere

93—*Special Transactions Not Classified According to Kind.*

94—*Live Animals, Not Specifically Provided For, Including Zoo Animals, Dogs, Cats, Insects, and Birds.*

95—*Arms of War and Ammunition, Armored Fighting Vehicles, Military Equipment Not Identified by Kind, and Military Apparel.*

96—*Coins, Other Than Gold, Not Being Legal Tender.*

97—*Non-Monetary Gold, Excluding Gold Ores and Concentrates.*

99—*Low-Valued Shipments.*

Table 1

Total U.S. Merchandise Trade, 1970-87
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

	Exports	Imports	Balance	Change from Preceding Year		
				Exports (Percent)	Imports (Percent)	Balance
1970.....	43,762	42,806	956	--	--	--
1971.....	44,719	48,970	-4,251	2.2	14.4	-5,207
1972.....	50,467	59,667	-9,200	12.9	21.8	-4,949
1973.....	72,496	74,231	-1,735	43.7	24.4	7,465
1974.....	100,036	110,407	-10,371	38.0	48.7	-8,636
1975.....	109,317	105,880	3,437	9.3	-4.1	13,808
1976.....	116,984	132,498	-15,514	7.0	25.1	-18,951
1977.....	123,243	160,411	-37,167	5.4	21.1	-21,653
1978.....	145,932	186,045	-40,113	18.4	16.0	-2,946
1979.....	186,528	222,228	-35,700	27.8	19.4	4,413
1980.....	225,722	256,984	-31,262	21.0	15.6	4,438
1981.....	238,686	273,352	-34,666	5.7	6.4	3,404
1982.....	216,442	254,884	-38,442	-9.3	-6.8	-3,776
1983.....	205,639	269,878	-64,239	-5.0	5.9	-25,797
1984.....	223,999	346,364	-122,365	8.9	28.3	-58,126
1985.....	218,828	352,463	-133,635	-2.3	1.8	-11,270
1986.....	226,820	382,964	-156,144	3.7	8.7	-22,509
1987.....	252,866	424,082	-171,216	11.5	10.7	-15,072

Source: U.S. Department of Commerce, Bureau of the Census and Office of Trade and Investment Analysis.

Table 2
Total U.S. Merchandise Trade by Region, 1981-87
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

	1981	1982	1983	1984	1985	1986	1987	1986-87 Change	
								\$	%
EXPORTS									
World.....	238,686	216,442	205,639	223,999	218,828	226,820	252,866	26,046	11.5
Developed Countries.....	141,045	126,841	128,075	141,137	140,054	151,626	165,375	13,749	9.1
Canada.....	44,602	37,887	43,345	51,777	53,287	55,512	59,814	4,302	7.7
Japan.....	21,823	20,966	21,894	23,575	22,631	26,882	28,249	1,367	5.1
European Community (EC-12).....	57,010	52,361	48,439	50,498	48,994	53,154	60,575	7,421	14.0
Other Developed.....	17,610	15,627	14,397	15,287	15,142	16,078	16,737	659	4.1
Developing Countries.....	88,793	82,538	72,186	74,418	71,671	70,637	81,691	11,054	15.6
Western Hemisphere.....	42,102	33,591	25,725	29,683	31,019	31,077	34,979	3,902	12.6
Mexico.....	17,789	11,817	9,082	11,992	13,635	12,392	14,582	2,190	17.7
Brazil.....	3,798	3,423	2,557	2,640	3,140	3,885	4,040	155	4.0
Other W. Hemisphere.....	20,515	18,351	14,086	15,051	14,244	14,800	16,357	1,557	10.5
East Asian NICs.....	15,059	15,563	16,914	17,723	16,918	18,290	23,547	5,257	28.7
Other Developing.....	31,633	33,384	29,547	27,012	23,734	21,270	23,165	1,895	8.9
Centrally Planned Economies...	7,872	6,557	5,088	7,217	7,092	5,127	5,723	596	11.6
China.....	3,603	2,912	2,173	3,004	3,856	3,106	3,497	391	12.6
U.S.S.R.....	2,340	2,593	2,003	3,284	2,423	1,248	1,480	232	18.6
Eastern Europe.....	1,906	1,017	888	904	792	742	746	4	0.5
Addendum: OPEC.....	21,530	22,864	16,905	14,387	12,480	10,844	11,057	213	2.0
Special Category...	4,188	6,531	5,849	4,975	5,446	4,364	5,422	1,058	24.2
IMPORTS									
World.....	273,352	254,884	269,878	346,364	352,463	382,964	424,082	41,118	10.7
Developed Countries.....	147,191	146,999	157,895	208,559	232,234	254,862	265,385	10,523	4.1
Canada.....	46,827	46,792	52,546	66,911	69,427	68,662	71,510	2,848	4.1
Japan.....	39,904	39,932	43,559	60,371	72,380	85,457	88,074	2,617	3.1
European Community (EC-12).....	45,582	46,414	47,876	63,412	71,617	79,520	84,876	5,356	6.7
Other Developed.....	14,878	13,861	13,914	17,865	18,810	21,223	20,925	-298	-1.4
Developing Countries.....	122,392	104,212	108,027	126,879	123,050	124,771	149,666	24,895	20.0
Western Hemisphere.....	40,805	39,603	43,581	50,063	49,096	44,112	49,094	4,982	11.3
Mexico.....	14,013	15,770	17,019	18,267	19,392	17,558	20,520	2,962	16.9
Brazil.....	4,852	4,643	5,381	8,273	8,147	7,340	8,433	1,093	14.9
Other W. Hemisphere.....	21,940	19,190	21,181	23,523	21,557	19,214	20,141	927	4.8
East Asian NICs.....	22,057	23,767	29,561	39,135	41,880	49,106	61,283	12,177	24.8
Other Developing.....	59,530	40,842	34,885	37,681	32,074	31,553	39,289	7,736	24.5
Centrally Planned Economies...	3,767	3,671	3,955	5,738	6,342	7,448	9,032	1,584	21.3
China.....	2,062	2,502	2,477	3,381	4,224	5,241	6,911	1,670	31.9
U.S.S.R.....	377	247	375	600	443	605	470	-135	-22.3
Eastern Europe.....	1,321	915	1,100	1,752	1,671	1,600	1,651	51	3.2
Addendum: OPEC.....	51,793	32,732	26,494	28,062	24,062	21,520	25,740	4,220	19.6
BALANCE									
World.....	-34,666	-38,442	-64,239	-122,365	-133,635	-156,144	-171,216	-15,072	
Developed Countries.....	-6,146	-20,158	-29,820	-67,421	-92,180	-103,236	-100,010	3,226	
Canada.....	-2,224	-8,905	-9,201	-15,134	-16,140	-13,151	-11,696	1,455	
Japan.....	-18,081	-18,965	-21,665	-36,796	-49,749	-58,575	-59,825	-1,250	
European Community (EC-12).....	11,429	5,948	564	-12,915	-22,623	-26,366	-24,301	2,065	
Other Developed.....	2,732	1,766	483	-2,578	-3,668	-5,145	-4,188	957	
Developing Countries.....	-33,599	-21,674	-35,841	-52,461	-51,379	-54,135	-67,975	-13,840	
Western Hemisphere.....	1,296	-6,012	-17,856	-20,380	-18,077	-13,035	-14,115	-1,080	
Mexico.....	3,775	-3,953	-7,937	-6,275	-5,757	-5,167	-5,938	-771	
Brazil.....	-1,053	-1,220	-2,824	-5,633	-5,007	-3,455	-4,393	-938	
Other W. Hemisphere.....	-1,425	-839	-7,095	-8,472	-7,313	-4,414	-3,784	630	
East Asian NICs.....	-6,999	-8,205	-12,647	-21,412	-24,962	-30,817	-37,735	-6,918	
Other Developing.....	-27,898	-7,458	-5,338	-10,669	-8,340	-10,283	-16,125	-5,887	
Centrally Planned Economies...	4,106	2,887	1,133	1,479	750	-2,321	-3,309	-988	
China.....	1,541	410	-304	-377	-369	-2,134	-3,413	-1,279	
U.S.S.R.....	1,963	2,346	1,628	2,684	1,980	642	1,010	368	
Eastern Europe.....	586	102	-212	-848	-879	-859	-906	-47	
Addendum: OPEC.....	-30,263	-9,868	-9,589	-13,675	-11,584	-10,676	-14,683	-4,007	

Note: 1981 exports to the USSR are corrected for a \$90 million error in Census data. Balances are calculated from unrounded values.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 3

U.S. Bilateral Trade Surpluses and Deficits, 1985-87
By Top 35 Countries in 1987
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

	Trade Surplus 1/				Trade Deficit 2/		
	1985	1986	1987		1985	1986	1987
Netherlands.....	2,901	3,484	3,981	Japan.....	49,749	58,575	59,825
Australia.....	2,372	2,679	2,208	Taiwan.....	13,061	15,727	18,994
Belgium/Luxembourg.....	1,351	1,208	1,830	Germany, West.....	12,182	15,568	16,281
Egypt.....	2,239	1,858	1,712	Canada.....	16,140	13,151	11,696
USSR.....	1,980	642	1,010	Korea, South.....	4,756	7,142	9,892
Ireland.....	400	388	655	Hong Kong.....	6,208	6,443	6,507
Turkey.....	649	469	585	Italy.....	5,756	6,473	6,168
Israel.....	379	-266	406	Mexico.....	5,757	5,167	5,938
Jordan.....	363	321	354	Brazil.....	5,007	3,455	4,393
Panama.....	208	299	340	United Kingdom.....	4,300	4,614	3,884
Bahamas.....	134	298	332	Nigeria.....	2,432	2,272	3,472
Morocco.....	235	440	329	China.....	369	2,134	3,413
Pakistan.....	743	477	295	France.....	3,864	3,370	3,233
Bermuda.....	251	230	255	Sweden.....	2,414	2,766	3,088
Jamaica.....	112	135	179	Indonesia.....	4,138	2,729	2,952
Paraguay.....	73	140	159	Singapore.....	937	1,504	2,342
Iraq.....	-64	55	158	Venezuela.....	3,431	2,305	2,295
Leeward & Windward Islands.....	100	137	148	Algeria.....	1,996	1,527	1,718
Bahrain.....	17	108	135	Iran.....	689	578	1,697
Sudan.....	234	67	129	Saudi Arabia.....	-2,447	606	1,513
French Guiana.....	100	6	115	Angola.....	957	642	1,278
Yemen, North (Sana).....	41	82	112	India.....	837	928	1,262
Cayman Islands.....	63	68	99	Switzerland.....	1,291	2,391	1,212
El Salvador.....	32	117	90	Malaysia.....	860	805	1,157
Brunei.....	48	137	76	Colombia.....	-11	720	1,003
Qatar.....	46	-8	72	Denmark.....	1,091	1,111	989
Barbados.....	-33	37	71	Philippines.....	955	787	882
Lebanon.....	121	75	62	Thailand.....	693	937	843
French Pacific Islands.....	90	68	62	Ecuador.....	1,385	1,002	770
Ethiopia.....	157	27	59	Norway.....	583	233	673
Cyprus.....	29	42	49	Romania.....	743	588	589
Haiti.....	-10	-4	49	Finland.....	538	605	571
Malta.....	-9	-11	48	Macao.....	369	442	543
Spain.....	-249	-341	47	Trinidad & Tobago.....	800	308	498
Tunisia.....	243	151	46	Congo.....	626	388	447

1/ Negative sign indicates a trade deficit.

2/ Negative sign indicates a trade surplus.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 4

U.S. Merchandise Trade by Major Product Groups, 1975-87 1/
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

	EXPORTS				
	Total	Agricultural 3/	Mineral Fuels	Manufactures 4/	Other
1975 2/.....	109,317	22,097	4,481	76,554	6,185
1976 2/.....	116,984	23,281	4,228	82,873	6,602
1977 2/.....	123,243	24,234	4,204	87,867	6,939
1978 2/.....	145,932	29,777	3,946	103,640	8,569
1979 2/.....	186,528	35,213	5,677	132,673	12,965
1980 2/.....	225,722	41,757	8,154	160,744	15,067
1981 5/.....	238,686	43,814	10,317	171,749	12,806
1982.....	216,442	37,010	12,777	155,350	11,350
1983.....	205,639	36,456	9,639	148,467	11,077
1984.....	223,999	38,230	9,481	163,591	12,697
1985.....	218,828	29,619	10,102	167,917	11,190
1986.....	226,820	26,619	8,183	179,937	12,081
1987.....	252,866	29,135	7,787	200,047	15,897
	IMPORTS				
	Total	Agricultural 3/	Mineral Fuels	Manufactures 4/	Other
1975 2/.....	105,880	10,333	28,284	57,691	9,572
1976 2/.....	132,498	12,143	36,362	72,216	11,777
1977 2/.....	160,411	14,555	47,293	85,224	13,339
1978 2/.....	186,045	16,145	44,722	110,889	14,289
1979 2/.....	222,228	18,249	63,800	123,755	16,424
1980 2/.....	256,984	18,879	82,364	138,780	16,961
1981.....	273,352	18,808	84,441	156,385	13,718
1982.....	254,884	17,285	67,657	158,082	11,860
1983.....	269,878	18,102	60,215	178,449	13,112
1984.....	346,364	21,583	63,297	241,821	19,663
1985.....	352,463	21,970	55,843	269,470	15,180
1986.....	382,964	23,118	39,838	308,865	11,143
1987.....	424,082	22,626	46,723	337,746	16,987
	BALANCE				
	Total	Agricultural 3/	Mineral Fuels	Manufactures 4/	Other
1975 2/.....	3,437	11,764	-23,803	18,863	-3,387
1976 2/.....	-15,514	11,138	-32,134	10,657	-5,175
1977 2/.....	-37,167	9,679	-43,089	2,643	-6,400
1978 2/.....	-40,113	13,632	-40,776	-7,249	-5,720
1979 2/.....	-35,700	16,964	-58,123	8,918	-3,459
1980 2/.....	-31,262	22,878	-74,210	21,964	-1,894
1981 5/.....	-34,666	25,005	-74,124	15,365	-912
1982.....	-38,442	19,725	-54,880	-2,777	-510
1983.....	-64,239	18,353	-50,576	-29,982	-2,035
1984.....	-122,365	16,646	-53,816	-78,230	-6,966
1985.....	-133,635	7,649	-45,741	-101,553	6,010
1986.....	-156,144	3,501	-31,655	-128,928	938
1987.....	-171,216	6,432	-38,936	-137,699	-1,090

- 1/ For 1984-86, total includes revisions, product groups are unrevised.
2/ Commodity data for 1975-80 exclude trade between the U.S. Virgin Islands and foreign countries.
3/ Includes some manufactured products.
4/ Includes undocumented exports to Canada. Manufactures in 1975-80 based on SITC; 1981-75 based on Census Schedules A/E; differences average less than 0.1 percent.
5/ Total and manufactures exports for 1981 corrected for \$90 million error in Census data.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 5

U.S. Manufactures Trade by Region, 1981-87
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

	1981	1982	1983	1984	1985	1986	1987	1986-87 Change	
								\$	%
EXPORTS									
World.....	171,749	155,305	148,467	163,591	167,917	179,937	200,047	20,110	11.2
Developed Countries.....	102,261	88,295	94,298	107,400	110,827	122,718	133,574	10,856	8.8
Canada 1/.....	38,759	32,666	38,168	46,102	48,470	50,999	54,738	3,738	7.3
Japan.....	10,080	9,984	10,815	12,110	12,345	16,876	16,319	-556	-3.3
European Community (EC-12)...	38,700	34,585	33,560	36,725	36,843	40,744	47,884	7,140	17.5
Other Developed.....	14,722	11,060	11,754	12,462	13,169	14,099	14,632	534	3.8
Developing Countries.....	67,508	63,288	52,064	53,572	52,959	53,618	62,852	9,234	17.2
Western Hemisphere.....	33,529	26,042	18,286	21,679	23,577	24,816	28,262	3,446	13.9
Mexico.....	14,421	9,189	6,496	9,082	10,846	10,424	12,245	1,821	17.5
Brazil.....	2,816	2,539	1,774	1,764	2,217	2,859	3,324	465	16.2
Other W. Hemisphere.....	16,291	14,314	10,015	10,833	10,514	11,533	12,693	1,161	10.1
East Asia NICs.....	9,789	10,537	11,241	12,050	11,673	13,038	17,020	3,982	30.5
Other Developing.....	24,191	15,505	7,046	9,629	11,904	11,778	11,242	-536	-4.6
Centrally Planned Economies.....	1,980	1,984	2,105	2,620	4,006	3,602	3,622	20	0.6
China.....	1,141	1,074	1,331	1,956	3,180	2,708	2,788	80	2.9
USSR.....	561	603	498	404	477	529	490	-39	-7.4
Eastern Europe.....	267	273	253	237	327	333	317	-16	-4.9
Addendum:									
Special Category.....	4,188	6,531	5,849	4,975	5,446	4,364	5,422	1,058	24.2
Undocumented Exports to Canada..	5,038	4,167	5,101	5,253	6,036	10,179	6,429	-3,750	-36.8
OPEC.....	17,499	19,498	13,468	10,727	9,614	8,264	8,149	-115	-1.4
IMPORTS									
World.....	156,385	158,082	178,449	241,821	269,470	308,865	337,746	28,881	9.4
Developed Countries.....	114,908	115,122	125,713	171,503	195,566	223,344	231,443	8,099	3.6
Canada.....	31,543	31,958	36,200	48,738	50,626	53,041	54,538	1,497	2.8
Japan.....	39,501	39,520	43,065	59,737	71,657	84,736	87,354	2,618	3.1
European Community (EC-12)...	34,998	35,099	37,245	50,919	59,753	69,144	74,023	4,879	7.1
Other Developed.....	8,866	8,544	9,203	12,109	13,529	16,423	15,528	-895	-5.4
Developing Countries.....	39,072	40,559	50,133	66,545	69,811	80,024	99,205	19,181	24.0
Western Hemisphere.....	10,594	10,494	13,372	17,718	18,464	20,053	24,344	4,291	21.4
Mexico.....	5,259	5,331	6,328	8,246	9,163	10,625	13,861	3,236	30.5
Brazil.....	1,982	1,977	2,732	4,535	4,661	4,567	5,220	653	14.3
Other W Hemisphere.....	3,353	3,186	4,312	4,937	4,640	4,861	5,263	402	8.3
East Asia NICs.....	21,293	22,981	28,713	38,058	40,487	47,816	59,768	11,952	25.0
Other Developing.....	7,185	7,084	8,048	10,769	10,861	12,155	15,093	2,938	24.2
Centrally Planned Economies.....	2,401	2,398	2,602	3,773	4,093	5,497	7,098	1,601	29.1
China.....	1,262	1,569	1,759	2,425	2,838	4,171	5,898	1,727	41.4
USSR.....	233	210	264	353	295	458	290	-168	-36.7
Eastern Europe.....	905	617	578	993	959	867	909	42	4.9
Addendum: OPEC.....	645	589	1,052	1,405	1,435	1,750	1,946	196	11.2
BALANCE									
World.....	15,365	-2,777	-29,982	-78,230	-101,553	-128,928	-137,699	-8771	
Developed Countries.....	-12,646	-26,827	-31,415	-64,103	-84,739	-100,626	-97,869	2757	
Canada 1/.....	7,216	708	1,968	-2,635	-2,156	-2,042	200	2241	
Japan.....	-29,421	-29,536	-32,249	-47,627	-59,312	-67,860	-71,035	-3174	
European Community (EC-12)...	3,703	-515	-3,685	-14,194	-22,910	-28,400	-26,139	2261	
Other Developed.....	5,856	2,516	2,552	353	-360	-2,324	-896	1,429	
Developing Countries.....	28,433	22,729	1,931	-12,973	-16,853	-26,406	-36,353	-9947	
Western Hemisphere.....	22,935	15,548	4,914	3,961	5,113	4,763	3,916	-847	
Mexico.....	9,162	3,858	169	836	1,683	-201	-1,616	-1416	
Brazil.....	834	562	-958	-2,770	-2,443	-1,708	-1,896	-188	
Other W. Hemisphere.....	12,939	11,128	5,704	5,895	5,874	6,672	7,428	757	
East Asia NICs.....	-11,503	-12,444	-17,472	-26,008	-28,814	-34,779	-42,748	-7970	
Other Developing.....	17,001	19,625	14,489	9,074	6,848	3,609	2,479	-1,130	
Centrally Planned Economies.....	-422	-415	-498	-1,153	-88	-1,895	-3,476	-1581	
China.....	-121	-495	-428	-469	342	-1,463	-3,110	-1647	
USSR 2/.....	328	393	234	51	182	71	200	129	
Eastern Europe.....	-638	-344	-325	-756	-632	-533	-592	-59	
Addendum: OPEC.....	2,048	1,599	1,621	1,517	703	470	827	357	

Note: Manufactured goods are defined as Schedule E 5-9. The 1985 world total includes \$126 million of exports to international organizations. All export data include special category or military type goods. 1981 exports reflect correction to Census data for erroneously reported \$90 million shipment of phosphoric acid to the USSR.

1/ Includes undocumented U.S. exports to Canada.

Table 6

U.S. Bilateral Manufactures Trade Surpluses and Deficits, 1985-87
by Top 35 Countries in 1987
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

	TRADE SURPLUS 1/				TRADE DEFICIT 2/		
	1985	1986	1987		1985	1986	1987
Australia.....	4,257	4,167	4,012	Japan.....	59,312	67,860	71,035
Netherlands.....	1,410	1,805	2,638	Taiwan.....	14,353	17,126	20,612
Saudi Arabia.....	3,738	2,691	2,572	Germany, West.....	12,896	16,471	17,491
Venezuela.....	2,177	1,993	2,411	Korea, South.....	6,892	9,209	12,646
Egypt.....	1,320	1,065	1,343	Hong Kong.....	6,750	6,986	7,183
Colombia.....	829	772	865	Italy.....	5,821	6,786	6,568
Ireland.....	417	430	643	China.....	-342	1,463	3,110
Turkey.....	780	429	500	Sweden.....	2,475	2,808	3,097
Ecuador.....	428	483	489	France.....	3,449	3,022	3,001
Panama.....	361	444	483	Singapore.....	820	1,457	2,307
Belgium/Luxembourg.....	224	-90	446	Brazil.....	2,443	1,708	1,896
United Arab Emirates.....	408	280	429	United Kingdom.....	1,198	2,842	1,826
New Zealand.....	388	426	408	Mexico.....	-1,683	201	1,616
Kuwait.....	462	565	392	Switzerland.....	1,408	2,453	1,325
Bahamas.....	307	298	305	India.....	165	436	801
Peru.....	66	182	296	Malaysia.....	488	434	763
Argentina.....	184	384	269	Philippines.....	565	460	639
Jordan.....	294	246	265	Indonesia.....	87	116	558
Honduras.....	196	229	252	Finland.....	539	543	550
Guatemala.....	212	201	250	Macao.....	361	429	534
Netherlands Antilles.....	144	201	244	Yugoslavia.....	135	294	491
Nigeria.....	351	254	231	Austria.....	431	426	417
Israel.....	177	-438	212	Sri Lanka.....	220	292	389
Costa Rica.....	177	186	211	Portugal.....	298	212	350
Chile.....	146	277	203	Denmark.....	573	553	340
USSR.....	182	71	200	Bangladesh.....	114	181	327
Canada.....	-2,156	-2,042	200	Romania.....	415	315	310
El Salvador.....	236	350	199	Thailand.....	275	363	300
Bermuda.....	184	166	187	Spain.....	828	718	268
Oman.....	144	150	161	Uruguay.....	476	357	218
Jamaica.....	156	140	157	Hungary.....	119	116	155
Pakistan.....	502	265	157	Mauritius.....	62	108	126
Paraguay.....	82	154	155	Ghana.....	13	45	121
Trinidad & Tobago.....	215	306	153	Zaire.....	33	13	97
Iraq.....	101	181	128	South Africa.....	755	1,085	74

Note: Manufactures include A/E 5-9, exports includes special category.

1/ Negative sign indicates a trade deficit.

2/ Negative sign indicates a trade surplus.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 7
U.S. Agricultural Trade by Region, 1981 #7
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

EXPORTS	1981	1982	1983	1984	1985	1986	1987	1986-87 Change	
								\$	%
World.....	43,814	37,010	36,456	38,230	29,619	26,619	29,135	2,516	9.5
Developed Countries.....	21,535	19,449	18,964	18,931	14,623	14,586	15,666	1,080	7.4
Canada.....	2,322	2,114	2,092	2,228	1,875	1,829	2,141	312	17.1
Japan.....	6,570	5,551	6,246	6,762	5,404	5,100	5,714	614	12.0
European Community (EC-12)...	11,201	10,393	9,181	8,193	6,409	6,714	6,868	154	2.3
Other Developed.....	1,442	1,391	1,445	1,748	935	943	943	-	-
Developing Countries.....	16,155	13,050	14,643	14,939	12,409	10,902	11,787	885	8.2
Western Hemisphere.....	6,408	4,461	5,240	5,321	4,490	3,687	3,712	25	0.8
Mexico.....	2,438	1,159	1,945	2,039	1,692	1,098	1,212	114	10.4
Brazil.....	712	527	479	505	470	556	293	-263	-47.3
Other W. Hemisphere.....	3,258	2,775	2,816	2,777	2,328	2,033	2,207	174	8.6
East Asian NICs.....	3,738	3,289	3,664	3,672	3,160	3,007	3,743	736	24.5
Other Developing.....	6,009	5,300	5,739	5,946	4,759	4,208	4,332	124	2.9
Centrally Planned Economies...	5,147	4,006	2,560	3,990	2,348	1,037	1,605	568	54.8
China.....	1,956	1,498	546	615	149	66	370	304	460.6
U.S.S.R.....	1,665	1,855	1,457	2,817	1,864	647	923	276	42.7
Eastern Europe.....	1,514	651	554	557	334	323	312	-11	-3.4
IMPORTS									
World.....	18,808	17,285	18,102	21,583	22,020	23,118	22,626	-492	-2.1
Developed Countries.....	6,662	6,970	7,380	8,545	9,025	9,304	9,858	554	6.0
Canada.....	1,177	1,408	1,507	1,856	1,919	2,022	2,234	212	10.5
Japan.....	133	144	187	244	269	233	238	5	2.1
European Community (EC-12)...	2,844	3,121	3,397	4,080	4,495	4,636	4,663	27	0.6
Other Developed.....	2,508	2,297	2,289	2,365	2,342	2,413	2,723	310	12.8
Developing Countries.....	11,536	9,928	10,293	12,591	12,523	13,297	12,171	-1,126	-8.5
Western Hemisphere.....	7,342	6,372	6,695	8,230	8,346	9,066	8,288	-778	-8.6
Mexico.....	1,143	1,172	1,269	1,297	1,456	2,044	1,899	-145	-7.1
Brazil.....	2,190	1,680	1,737	2,541	2,362	1,972	2,085	113	5.7
Other W. Hemisphere.....	4,009	3,520	3,689	4,392	4,528	5,050	4,304	-746	-14.8
East Asian NICs.....	356	361	404	446	449	435	460	11	2.4
Other Developing.....	3,838	3,195	3,194	3,915	3,728	3,796	3,423	-373	-9.8
Centrally Planned Economies...	611	387	430	447	471	517	597	80	15.5
China.....	355	191	189	213	221	224	269	45	20.1
U.S.S.R.....	13	11	12	11	9	22	22	6	37.5
Eastern Europe.....	237	181	225	219	237	275	304	29	10.5
BALANCE									
World.....	25,005	19,725	18,353	16,646	7,649	3,501	6,432	2,931	
Developed Countries.....	14,873	12,479	11,584	10,386	5,647	5,281	5,808	527	
Canada.....	1,145	707	584	372	-44	-193	-93	100	
Japan.....	6,437	5,407	6,059	6,517	5,184	4,867	5,476	604	
European Community (EC-12)...	8,356	7,271	5,784	4,113	1,914	2,078	2,205	127	
Other Developed.....	-1,066	-906	-844	-617	-1,407	-1,471	-1,780	-309	
Developing Countries.....	4,620	3,121	4,350	2,348	-112	-2,395	-384	2,011	
Western Hemisphere.....	-934	-1,911	-1,455	-2,909	-3,857	-5,379	-4,576	803	
Mexico.....	1,294	-12	677	742	236	-946	-687	259	
Brazil.....	-1,478	-1,152	-1,258	-2,036	-1,892	-1,416	-1,792	-376	
Other W. Hemisphere.....	-751	-745	-873	-1,615	-2,200	-3,017	-1,917	-1,100	
East Asian NICs.....	3,382	2,928	3,260	3,225	2,710	2,572	3,283	711	
Other Developing.....	2,171	2,105	2,545	2,031	1,032	412	909	497	
Centrally Planned Economies...	4,536	3,619	2,130	3,543	1,877	520	1,008	488	
China.....	1,601	1,307	357	401	72	158	101	259	
U.S.S.R.....	1,652	1,845	1,446	2,806	1,856	631	901	270	
Eastern Europe.....	1,277	470	328	338	47	48	9	39	

Note: Balances are calculated from unrounded values.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 8

U.S. Bilateral Agricultural Trade Surpluses and Deficits, 1985-87
by Top 35 Countries in 1987
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

	TRADE SURPLUS 1/				TRADE DEFICIT 2/		
	1985	1986	1987		1985	1986	1987
Japan.....	5,184	4,867	5,476	Brazil.....	1,892	1,416	1,792
Korea, South.....	1,355	1,255	1,773	Australia.....	694	768	1,018
Netherlands.....	1,144	1,291	1,183	New Zealand.....	667	652	745
Taiwan.....	1,016	956	1,069	Colombia.....	649	984	737
USSR.....	1,856	631	901	Mexico.....	-236	946	687
Egypt.....	867	789	669	Indonesia.....	593	551	592
Germany, West.....	255	435	654	Denmark.....	563	586	573
Iraq.....	319	339	520	Ecuador.....	510	558	439
Saudi Arabia.....	349	384	484	Costa Rica.....	314	395	361
Venezuela.....	600	387	466	Honduras.....	264	293	349
United Kingdom.....	364	461	465	Ivory Coast.....	514	415	348
Hong Kong.....	323	323	387	Chile.....	204	264	344
Belgium/Luxembourg.....	303	263	336	Guatemala.....	296	481	320
Algeria.....	220	285	306	Argentina.....	335	272	316
Spain.....	393	334	233	Malaysia.....	306	281	267
Morocco.....	88	161	208	France.....	377	384	243
Portugal.....	367	228	203	Thailand.....	137	220	231
Israel.....	187	164	185	India.....	193	313	219
Pakistan.....	244	214	133	Philippines.....	326	282	190
Bangladesh.....	113	95	130	Turkey.....	166	131	155
Bahamas.....	88	120	114	Dominican Republic.....	252	276	124
China.....	-72	-158	101	El Salvador.....	199	230	99
Haiti.....	40	49	83	Canada.....	44	193	93
Romania.....	70	102	77	Uganda.....	118	138	76
Jamaica.....	81	78	75	Panama.....	123	97	71
Netherlands Antilles.....	61	59	72	Poland.....	36	109	61
Trinidad & Tobago.....	101	81	72	Ethiopia.....	-119	3	60
Sudan.....	168	57	63	Hungary.....	29	33	58
Singapore.....	16	37	54	Finland.....	49	68	55
South Africa.....	-10	-6	54	Kenya.....	31	104	54
Leeward & Windward Islands.....	45	45	53	Madagascar.....	35	51	51
Bermuda.....	41	48	50	Liberia.....	30	40	42
Jordan.....	48	59	49	Ghana.....	7	57	42
Yemen, North (Sana).....	15	30	48	Greece.....	-11	26	38
Tunisia.....	24	57	45	Austria.....	32	24	34

1/ Negative sign indicates a trade deficit.

2/ Negative sign indicates a trade surplus.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 9

U.S. Trade by Major Commodity Category, 1981-87
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

EXPORTS	1981	1982	1983	1984	1985	1986	1987	1986-87 Change	
								\$	%
Food and live animals.....	30,779	24,376	24,507	24,846	19,621	17,800	19,646	1,846	10.4
Beverages and tobacco.....	2,940	3,046	2,832	2,881	2,995	2,960	3,710	750	25.3
Crude materials, inedible.....	21,140	19,390	18,730	20,404	17,099	17,583	20,690	3,107	17.7
Mineral fuels and lubricants...	10,317	12,777	9,639	9,481	10,102	8,183	7,787	-296	-3.7
Oils and fats.....	1,759	1,548	1,464	1,937	1,448	1,019	985	-34	-3.3
Chemicals.....	21,267	20,073	19,928	22,585	22,026	23,011	26,672	3,661	15.9
Basic manufactures.....	21,498	17,560	15,495	15,775	14,589	14,686	17,965	3,279	22.3
Machinery and transport eqpt...	97,734	89,286	84,913	93,161	97,848	99,267	113,660	14,393	14.5
Miscellaneous manufactures.....	17,713	17,037	15,963	16,515	16,247	17,959	21,079	3,120	17.4
Misc commodities*.....	13,539	11,349	12,168	15,554	17,206	25,014	20,670	-4,344	-17.4
IMPORTS									
Food and live animals.....	16,532	15,732	16,693	19,429	20,292	22,395	22,224	-171	-0.8
Beverages and tobacco.....	3,418	3,666	3,710	4,006	4,124	4,226	4,461	235	5.6
Crude materials, inedible.....	12,052	9,302	10,271	11,882	11,167	11,176	12,299	1,123	10.0
Mineral fuels and lubricants...	84,441	67,657	60,215	63,297	55,843	39,838	46,723	6,885	17.3
Oils and fats.....	524	446	541	742	730	581	629	48	8.3
Chemicals.....	9,879	9,934	11,304	14,400	15,321	15,804	17,036	1,232	7.8
Basic manufactures.....	39,349	34,958	36,704	49,018	49,499	51,700	56,364	4,664	9.0
Machinery and transport eqpt...	72,185	75,723	88,928	123,104	141,721	166,240	182,807	16,567	10.0
Miscellaneous manufactures.....	27,579	29,669	33,683	45,361	51,684	60,079	69,037	8,458	14.9
Misc commodities.....	7,392	7,798	7,830	9,938	11,245	15,042	12,500	-2,542	-16.9
BALANCE									
Food and live animals.....	14,247	8,644	7,814	5,417	-671	-4,595	-2,578	2,017	
Beverages and tobacco.....	-478	-620	-878	-1,125	-1,129	-1,266	-751	515	
Crude materials, inedible.....	9,088	10,088	8,459	8,522	5,932	6,407	8,391	1,984	
Mineral fuels and lubricants...	-74,124	-54,880	-50,576	-53,816	-45,741	-31,655	-38,436	-5,297	
Oils and fats.....	1,235	1,102	923	1,195	718	438	356	-82	
Chemicals.....	11,388	10,139	8,624	8,185	6,705	7,207	9,636	2,429	
Basic manufactures.....	-17,851	-17,398	-21,209	-33,243	-34,910	-37,014	-38,399	-1,385	
Machinery and transport eqpt...	25,549	13,563	-4,015	-29,943	-43,873	-66,973	-69,147	-2,174	
Miscellaneous manufactures.....	-9,866	-12,632	-17,720	-28,846	-35,437	-42,145	-47,958	-5,813	
Misc commodities.....	6,147	3,551	4,338	5,616	5,961	9,998	8,170	-1,828	

* Includes undocumented exports to Canada.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 10

U.S. Exports by Principal Products, 1981-87
(Domestic and foreign exports, f.a.s.)
(Millions of dollars)

	1981	1982	1983	1984	1985	1986	1987	1986-87 Change	
								\$	%
TOTAL.....	238,686	216,442	205,639	223,999	218,828	226,820	252,866	26,046	11.5
Food & live animals.....	30,779	24,376	24,507	24,846	19,621	17,800	19,646	1,846	10.4
Wheat.....	7,844	6,676	6,239	6,477	3,602	3,010	3,045	35	1.2
Corn.....	8,016	5,688	6,480	7,081	5,319	2,718	3,314	596	21.9
Vegetables & fruit.....	3,425	2,821	2,545	2,539	2,497	2,784	3,050	266	9.6
Beverages & tobacco.....	2,940	3,046	2,832	2,881	2,995	2,960	3,710	750	25.3
Tobacco, unmanufactured.....	1,467	1,556	1,472	1,524	1,530	1,225	1,106	-119	-9.7
Crude materials, except fuels.....	21,140	19,390	18,730	20,404	17,099	17,583	20,690	3,107	17.7
Soybeans.....	6,200	6,240	5,925	5,438	3,906	4,334	4,343	9	0.2
Cotton, raw, excl linters.....	2,299	2,005	1,860	2,476	1,671	820	1,659	839	102.3
Logs & lumber.....	2,071	2,113	2,113	2,051	2,045	2,251	3,015	764	33.9
Ores, concentrates, scrap.....	2,746	2,209	2,302	2,706	2,737	2,843	3,152	309	10.9
Mineral fuels & lubricants.....	10,317	12,777	9,639	9,481	10,102	8,183	7,787	-396	-4.8
Coal, coke, briquettes.....	6,006	6,072	4,116	4,219	4,554	4,005	3,430	-575	-14.4
Oils & fats.....	1,759	1,548	1,464	1,937	1,448	1,019	985	-34	-3.3
Chemicals & related products.....	21,267	20,073	19,928	22,585	22,026	23,011	26,672	3,661	15.9
Organic chemicals.....	6,037	5,558	5,421	6,226	6,139	6,390	7,625	1,235	19.3
Inorganic chemicals.....	3,197	3,112	3,062	3,630	3,299	3,091	3,163	72	2.3
Medicinals & pharmaceuticals.....	2,184	2,300	2,523	2,662	2,752	3,136	3,222	86	2.7
Plastics & resins.....	3,822	3,665	3,745	4,071	3,794	4,325	5,525	1,200	27.7
Manufactures classified chiefly by material.....	21,498	17,560	15,495	15,775	14,589	14,686	17,965	3,279	22.3
Paper & manufactures.....	3,004	2,695	2,587	2,651	2,365	2,642	3,226	584	22.1
Iron & steel mill products.....	2,949	2,248	1,544	1,407	1,282	1,120	1,329	209	18.7
Textiles other than clothing.....	3,667	2,834	2,418	2,435	2,429	2,643	3,027	384	14.5
Machinery & transport eqpt.....	97,734	89,286	84,913	93,161	97,848	99,267	113,660	14,393	14.5
Aircraft & parts, ex. engines.....	14,878	11,887	12,323	11,077	14,624	15,287	17,173	1,886	12.3
Motor veh. & parts, ex. engines...	16,857	14,497	14,860	17,974	19,735	18,989	21,487	2,498	13.2
Computers & parts.....	5,043	5,277	5,824	7,230	7,392	7,829	9,304	1,475	18.8
Telecommunication & sound reproduction equipment.....	4,155	4,139	4,050	4,358	4,703	4,942	5,656	714	14.4
Miscellaneous manufactures.....	17,713	17,037	15,963	16,515	16,247	17,934	21,079	3,120	17.4
Professional, scientific, & controlling instruments.....	6,081	6,124	5,991	6,366	6,704	6,965	7,663	698	10.0
Photo eqpt & supplies.....	2,624	2,510	2,312	2,391	2,224	2,531	2,701	170	6.7
Printed matter.....	1,307	1,352	1,339	1,401	1,292	1,357	1,583	226	16.7
Other commodities.....	13,539	11,349	12,144	15,533	17,189	25,014	20,670	-4,344	-17.4
Military items, incl ordnance.....	2,161	3,276	3,136	2,996	2,899	2,315	2,299	-16	-0.7
Undocumented exports to Canada....	5,038	4,167	5,101	5,253	6,036	10,179	6,429	-3,750	-36.8

Source: U.S. Department of Commerce, Bureau of the Census.

Table 11

U.S. Imports by Principal Products, 1981-87
(General imports, c.i.f.)
(Millions of dollars)

	1981	1982	1983	1984	1985	1986	1987	1986-87 Change	
								\$	%
TOTAL.....	273,352	254,885	269,878	346,364	352,463	382,964	424,082	41,118	10.7
Food & live animals.....	16,532	15,732	16,693	19,429	20,292	22,395	22,224	-171	-0.8
Fish.....	3,108	3,292	3,764	3,859	4,202	4,933	5,872	939	19.0
Coffee.....	3,046	3,088	2,924	3,441	3,492	4,703	3,061	-1,642	-34.9
Vegetables & fruit.....	3,003	3,279	3,383	4,448	4,619	4,825	5,133	308	6.4
Beverages & tobacco.....	3,418	3,666	3,710	4,006	4,124	4,226	4,461	235	5.6
Alcoholic beverages.....	2,625	2,757	2,876	3,147	3,298	3,362	3,554	192	5.7
Crude materials, except fuels...	12,052	9,302	10,271	11,882	11,167	11,176	12,299	1,123	10.0
Wood.....	2,235	1,913	2,938	3,073	3,279	3,337	2,228	-1,109	-33.2
Pulp.....	1,831	1,534	1,516	1,895	1,569	1,651	2,129	478	29.0
Ores, concentrates, scrap.....	4,242	2,999	2,735	3,168	2,564	2,362	2,666	304	12.9
Mineral fuels & lubricants.....	84,441	67,657	60,215	63,297	55,843	39,838	46,723	6,885	17.3
Petroleum, crude.....	64,319	47,445	38,184	37,945	34,123	24,181	30,840	6,659	27.5
Gas, natural & manufactured...	5,793	6,016	5,748	4,964	4,176	3,092	2,581	-511	-16.5
Oils & fats.....	524	446	541	742	730	581	630	50	8.6
Chemicals & related products....	9,879	9,934	11,304	14,400	15,321	15,804	17,036	1,232	7.8
Organic chemicals.....	3,129	3,109	3,644	4,489	4,833	4,968	5,686	718	14.5
Inorganic chemicals.....	2,455	2,740	2,678	3,603	3,554	3,425	3,199	-226	-6.6
Manufactures classified chiefly by material.....	39,349	34,958	36,704	49,018	49,499	51,700	56,364	4,664	9.0
Paper & manufactures.....	3,974	3,954	4,361	5,822	6,248	6,630	7,613	983	14.8
Textiles other than clothing..	3,250	2,962	3,414	4,874	5,274	6,151	6,927	776	12.6
Iron & steel mill products....	12,148	10,376	7,408	11,853	11,223	9,559	9,844	285	3.0
Nonferrous metals.....	7,078	5,420	7,545	8,350	7,172	7,881	8,154	273	3.5
Machinery & transport eqpt.....	72,185	75,723	88,928	123,104	141,721	166,240	182,807	16,567	10.0
Power generating machinery....	4,681	4,621	5,384	7,465	9,051	9,997	11,068	1,071	10.7
Specialized industrial machinery & parts.....	5,288	4,730	5,022	7,441	8,032	9,674	11,168	1,494	15.4
General industrial machinery & parts.....	5,066	5,033	5,037	7,248	8,527	10,055	11,547	1,492	14.8
Telecommunications apparatus..	9,178	9,288	11,619	16,423	19,114	21,157	21,272	115	0.5
Electrical mach & parts.....	9,431	10,525	12,828	18,789	18,192	20,718	25,090	4,372	21.1
Passenger cars, new.....	18,583	21,043	24,261	30,207	37,617	46,555	49,134	2,579	5.5
Automotive parts.....	4,003	4,275	5,978	8,598	9,801	11,435	13,125	1,690	14.8
Miscellaneous manufactures.....	27,579	29,669	33,683	45,361	51,684	60,079	69,037	8,958	14.9
Clothing.....	8,008	8,703	10,292	14,513	16,056	18,554	21,960	3,406	18.4
Footwear.....	3,215	3,671	4,291	5,424	6,104	6,857	7,654	797	11.6
Toys, sporting equipment.....	2,326	2,978	2,702	3,700	4,451	5,088	6,438	1,350	26.5
Other commodities.....	7,392	7,798	7,830	9,938	11,245	15,042	12,500	-2,542	-16.9

Note: Excludes undocumented.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 12

Top 10 U.S. Commodity Exports and Imports in 1987
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

	1986	1987	Change \$	Percent of 1987 total
EXPORTS*				
Total exports.....	226,808	252,866	26,058	100.0
Aircraft & equipment.....	15,287	17,173	1,886	6.8
Motor vehicle bodies & chasis.....	9,810	11,182	1,372	4.4
Office & ADP equip. parts.....	8,190	10,145	1,955	4.0
ADP machines & equipment.....	7,829	9,304	1,475	3.7
Electronic components.....	6,128	7,707	1,579	3.0
Passenger motor vehicles.....	6,462	7,095	633	2.8
Organic chemicals.....	5,245	6,346	1,101	2.5
Measuring & checking instruments....	5,563	6,132	569	2.4
Synthetic resins; rubber & plastics..	4,325	5,525	1,200	2.2
Telecommunications equipment.....	4,203	4,830	627	1.9
IMPORTS				
Total imports.....	382,964	424,082	41,118	100.0
Passenger motor vehicles.....	47,624	49,925	2,301	11.8
Crude petroleum.....	24,181	30,840	6,659	7.3
Motor vehicle parts.....	11,435	13,125	1,690	3.1
Petroleum products.....	11,998	12,737	739	3.0
Office & ADP equipment parts.....	6,806	9,187	2,381	2.2
Telecommunications equipment.....	8,100	8,810	710	2.1
Electronic components.....	6,643	8,341	1,698	2.0
Special purpose motor vehicles.....	8,340	8,291	-49	2.0
Footwear.....	6,857	7,654	797	1.8
ADP machines & equipment.....	5,719	7,314	1,595	1.7

* Individual commodity exports exclude undocumented exports to Canada.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 13

U.S. Trade by Selected End-Use Product Categories, 1981-87
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

	1981	1982	1983	1984	1985	1986	1987	1986-87 Change	
								\$	%
EXPORTS									
Foods, feeds, and beverages.....	38,396	31,779	31,294	31,931	24,383	22,720	24,542	1,822	8.0
Industrial supplies and materials.....	68,286	62,324	57,174	62,331	59,359	61,996	67,384	5,388	8.7
Fuels & lubricants.....	10,762	13,056	9,995	9,837	10,326	8,296	7,791	-505	-6.1
Capital goods, except auto products....	81,768	74,478	69,426	74,864	77,153	80,404	91,027	10,623	13.2
Aircraft & parts.....	13,726	9,943	10,924	10,043	13,286	15,259	16,206	947	6.2
Automotive products.....	18,407	16,385	17,365	21,291	23,315	22,497	25,500	3,003	13.3
Consumer goods, except auto products....	17,416	15,875	14,434	14,414	13,705	15,602	19,333	3,731	23.9
Other goods.....	14,412	15,600	15,946	18,310	21,267	24,264	25,659	1,395	5.7
Special category, domestic.....	4,154	6,499	5,825	4,954	5,429	4,339	5,422	1,083	25.0
Other goods & re-exports*.....	10,258	9,101	10,121	13,356	15,838	19,925	19,659	-266	-1.3
IMPORTS									
Foods, feeds, and beverages.....	19,676	18,676	19,757	22,829	23,918	26,111	26,337	226	0.9
Industrial supplies and materials.....	139,586	113,657	110,625	127,960	119,549	108,085	116,301	8,216	7.6
Fuels & lubricants.....	85,081	68,613	60,982	64,547	57,141	41,061	47,625	6,564	16.0
Capital goods, except auto products....	36,807	38,697	42,310	62,106	67,298	78,618	89,662	11,044	14.0
Aircraft & parts.....	4,013	3,822	3,379	4,568	5,932	7,207	7,552	345	4.8
Automotive products.....	25,026	35,563	43,420	56,835	68,925	80,867	87,610	6,743	8.3
Consumer goods, except auto products....	40,495	41,683	47,408	63,600	72,471	82,719	92,037	9,318	11.3
Other goods.....	5,761	6,608	6,358	7,846	9,465	10,682	12,135	1,453	1.4
BALANCE									
Foods, feeds, and beverages.....	18,720	13,103	11,537	9,102	465	-3,391	-1,795	2,596	
Industrial supplies and materials.....	-71,300	-51,333	-53,451	-65,629	-60,190	-46,089	-48,917	-2,828	
Fuels & lubricants.....	-74,319	-55,557	-50,987	-54,710	-46,815	-31,765	-39,834	-8,069	
Capital goods, except auto products....	44,961	35,781	27,116	12,758	9,855	1,786	1,365	-421	
Aircraft & parts.....	9,713	6,121	7,545	5,475	7,354	8,052	8,654	602	
Automotive products.....	-12,619	-19,178	-26,055	-35,544	-45,610	-58,370	-62,110	-3,740	
Consumer goods, except auto products....	-23,112	-25,839	-32,998	-49,207	-58,784	-67,142	-72,704	-5,562	
Other goods.....	8,651	5,992	9,588	10,464	11,802	13,582	13,524	-58	

* Includes undocumented exports to Canada.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 14

U.S. Trade in High-Tech and Non-High Tech Manufactures, 1978-87
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

	Manufactures Value					
	High Technology 1/			Non-High Technology		
	Exports	Imports	Balance	Exports2/	Imports	Balance
1978.....	34,839	20,293	14,546	68,801	90,596	-21,795
1979.....	43,524	22,753	20,771	89,149	101,002	-11,853
1980.....	54,712	28,015	26,697	106,032	110,765	-4,733
1981.....	60,390	33,826	26,564	111,359	122,559	-11,200
1982.....	58,112	34,552	23,560	97,193	123,530	-26,337
1983.....	60,158	41,397	18,761	88,309	137,052	-48,743
1984.....	65,510	59,464	6,046	98,081	182,357	-84,276
1985.....	68,425	64,778	3,647	99,492	204,692	-105,200
1986.....	72,517	75,107	-2,590	107,420	233,758	-126,338
1987.....	84,071	83,481	590	115,976	254,265	-138,289

	High-Technology Share (Percent)			
	Total U.S.		U.S. Manufactures	
	Exports	Imports	Exports	Imports
1978.....	23.9	10.9	33.6	18.3
1979.....	23.4	10.2	32.8	18.4
1980.....	24.3	10.9	34.0	20.2
1981.....	25.3	12.4	35.2	21.6
1982.....	26.8	13.6	37.4	21.9
1983.....	29.3	15.3	40.5	23.2
1984.....	29.2	17.2	40.0	24.6
1985.....	31.5	18.4	40.7	24.0
1986.....	32.0	19.6	40.3	24.3
1987.....	33.2	19.7	42.0	24.7

Note: 1978-80 data exclude trade between the U.S. Virgin Islands and foreign countries.

1/ Based on U.S. Department of Commerce DOC-3 definition.

2/ Includes undocumented exports to Canada.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 15

U.S. Trade in High-Technology Manufactures, by Product Group, 1981-87
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

EXPORTS	1981	1982	1983	1984	1985	1986	1987	1986-87 Change	
								\$	%
Total High-Technology.....	60,390	58,112	60,158	65,510	68,425	72,517	84,071	11,554	15.9
Guided missiles, spacecraft.....	557	1,133	994	962	827	664	848	184	27.7
Commun. eqpt., elec components.....	11,392	11,803	12,363	14,425	13,472	14,893	17,758	2,865	19.2
Aircraft and parts.....	16,885	14,131	14,637	13,540	17,535	18,435	20,968	2,533	13.7
Office, computing, acctg mach.....	9,810	10,148	11,719	14,699	15,421	16,096	19,586	3,490	21.7
Ordinance and accessories.....	676	716	907	845	714	748	654	-94	-12.7
Drugs and medicines.....	2,220	2,329	2,564	2,672	2,724	3,136	3,258	122	3.9
Industrial inorg chemicals.....	3,111	3,017	3,070	3,543	3,335	3,470	3,641	171	4.9
Prof and scientific instr.....	7,078	7,005	6,867	7,198	7,134	7,816	8,681	865	11.1
Engines, turbines, parts.....	3,831	3,601	3,016	3,234	3,127	2,757	3,024	267	9.7
Plastics and resins.....	4,831	4,228	4,021	4,392	4,137	4,502	5,654	1,152	25.6
IMPORTS									
Total High-Technology.....	33,826	34,521	41,397	59,464	64,778	75,107	83,481	8,374	11.1
Guided missiles, spacecraft.....	0	0	40	227	124	168	48	-120	-71.4
Commun. eqpt., elec components.....	15,082	15,983	19,577	28,343	30,179	33,495	36,340	2,845	8.5
Aircraft and parts.....	3,664	3,327	2,656	3,684	4,718	5,781	5,825	44	0.8
Office, computing, acctg mach.....	3,018	3,840	6,368	10,386	10,901	13,899	17,918	4,019	28.9
Ordinance and accessories.....	172	178	140	203	255	359	381	22	6.1
Drugs and medicines.....	1,070	1,077	1,349	1,717	1,946	2,384	2,877	493	20.7
Industrial inorg chemicals.....	2,453	2,383	2,634	3,278	3,221	3,017	2,959	-58	-1.9
Prof and scientific instr.....	5,739	5,458	6,107	7,875	8,895	10,738	11,538	800	7.5
Engines, turbines, parts.....	1,949	1,627	1,508	2,326	2,980	3,552	3,739	187	5.3
Plastics and resins.....	678	648	1,019	1,427	1,560	1,714	1,856	142	8.3
BALANCE									
Total High-Technology.....	26,564	23,591	18,761	6,046	3,647	-2,590	590	3,180	
Guided missiles, spacecraft.....	557	1,133	954	735	703	496	800	304	
Commun. eqpt., elec components.....	-3,690	-4,180	-7,214	-13,918	-16,707	-18,602	-18,582	20	
Aircraft and parts.....	13,221	10,804	11,981	9,856	12,817	12,654	15,143	2,489	
Office, computing, acctg mach.....	6,792	6,308	5,351	4,313	4,520	2,197	1,668	-529	
Ordinance and accessories.....	504	538	767	642	459	389	273	-116	
Drugs and medicines.....	1,150	1,252	1,215	955	778	752	381	-371	
Industrial inorg chemicals.....	658	634	436	265	114	453	682	229	
Prof and scientific instr.....	1,339	1,547	760	-677	-1,761	-2,922	-2,858	64	
Engines, turbines, parts.....	1,882	1,974	1,508	908	147	-795	-715	80	
Plastics and resins.....	4,153	3,580	3,002	2,965	2,577	2,788	3,798	1,010	

Source: U.S. Department of Commerce, Bureau of the Census.

Table 16

U.S. Trade in High-Technology Manufactures, by Region, 1981-87 1/
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

EXPORTS	1981	1982	1983	1984	1985	1986	1987	1986-87 Change	
								\$	%
World.....	60,390	58,112	60,158	65,510	68,425	72,517	84,071	11,554	15.9
Developed Countries.....	36,127	33,606	36,407	40,338	42,010	45,881	52,695	6,814	14.9
Canada.....	6,727	6,148	6,808	8,383	8,134	8,022	10,109	2,087	26.0
Japan.....	4,854	4,806	5,614	6,147	6,605	7,550	8,552	1,002	13.3
European Community (EC-12).....	18,526	17,295	18,356	20,354	20,836	23,218	26,990	3,772	16.2
Other Developed.....	6,020	5,358	5,630	5,454	6,435	7,091	7,044	-47	-0.7
Developing Countries.....	20,352	19,457	19,032	20,677	20,618	22,001	25,418	3,417	15.5
Western Hemisphere.....	9,176	6,996	5,902	6,782	7,419	8,134	9,498	1,364	16.8
Mexico.....	3,858	2,440	2,229	2,965	3,308	3,267	3,826	559	17.1
Brazil.....	1,212	967	919	855	1,258	1,549	2,035	486	31.4
Other W. Hemisphere.....	4,106	3,589	2,754	2,962	2,853	3,318	3,637	319	9.6
East Asian NICs.....	4,315	4,532	5,709	6,384	6,262	6,606	8,365	1,759	26.6
Other Developing.....	6,861	7,929	7,421	7,511	6,937	7,261	7,555	294	4.0
Centrally Planned Economies.....	962	747	790	951	1,856	1,419	1,591	172	12.1
China.....	827	634	651	822	1,707	1,275	1,428	153	1.2
U.S.S.R.....	56	47	75	62	48	31	83	52	167.7
Eastern Europe.....	79	65	64	67	100	113	79	-34	-30.1
Special Category.....	2,949	4,302	3,929	3,544	3,815	3,216	4,367	1,151	35.8
Not Classed by Region.....	0	0	0	0	126	0	0	0	0
Addendum: OPEC.....	3,686	4,392	3,348	2,946	3,114	3,104	2,413	-691	-22.3
IMPORTS									
World.....	33,826	34,552	41,397	59,464	64,778	75,107	83,481	8,374	11.1
Developed Countries.....	23,586	23,670	27,268	40,478	46,422	53,544	56,075	2,531	4.7
Canada.....	3,627	3,428	3,498	5,120	5,365	5,842	6,368	526	9.0
Japan.....	10,732	11,254	14,441	22,184	25,165	29,417	30,474	1,057	3.6
European Community (EC-12)-	7,502	7,192	7,571	10,853	13,192	15,370	16,217	847	5.5
Other Developed.....	1,725	1,795	1,758	2,320	2,700	2,916	3,016	100	3.4
Developing Countries.....	10,135	10,772	14,020	18,840	18,182	21,326	26,888	5,562	26.1
Western Hemisphere.....	2,610	2,485	3,162	4,090	4,059	4,562	5,517	955	20.9
Mexico.....	1,776	1,786	2,186	2,736	2,895	3,295	4,153	858	26.0
Brazil.....	313	285	337	577	568	758	915	157	20.7
Other W. Hemisphere.....	521	413	639	777	596	509	449	-60	-11.8
East Asian NICs.....	5,486	5,876	8,191	11,191	11,134	13,628	17,676	4,048	29.7
Other Developing.....	2,039	2,411	2,667	3,558	2,989	3,137	3,695	558	17.8
Centrally Planned Economies.....	105	110	109	146	174	236	518	282	119.5
China.....	44	56	62	99	115	165	444	279	169.1
U.S.S.R.....	15	14	14	4	5	5	17	12	240.0
Eastern Europe.....	45	39	33	42	54	66	57	-9	-13.6
Addendum: OPEC.....	57	81	90	135	47	65	46	-19	-29.2
BALANCE									
World.....	26,564	23,560	18,761	6,046	3,647	-2,590	590	3,180	
Developed Countries.....	12,541	9,968	9,139	-140	-4,412	-7,663	-3,380	4,283	
Canada.....	3,100	2,720	3,310	3,263	2,769	2,180	3,741	1,561	
Japan.....	-5,878	-6,448	-8,827	-16,037	-18,560	-21,867	-21,922	-55	
European Community (EC-12).....	11,024	10,103	10,785	9,501	7,644	7,848	10,773	2,925	
Other Developed.....	4,295	3,563	3,872	3,134	3,735	4,175	4,028		
Developing Countries.....	10,217	8,685	5,012	1,837	2,437	675	-1,469	-2,144	
Western Hemisphere.....	6,566	4,511	2,740	2,693	3,360	3,572	3,981	409	
Mexico.....	2,082	654	43	229	413	-28	-327	-299	
Brazil.....	899	682	582	278	690	791	1,121	330	
Other W. Hemisphere.....	3,585	3,176	2,115	2,185	2,257	2,809	3,187	378	
East Asian NICs.....	-1,171	-1,344	-2,482	-4,807	-4,872	-7,022	-9,311	-2,289	
Other Developing.....	4,822	5,518	4,754	3,953	3,948	4,124	3,861	-263	
Centrally Planned Economies.....	857	637	681	805	1,682	1,183	1,072	-111	
China.....	783	578	589	723	1,592	1,110	983	-127	
U.S.S.R.....	41	33	61	58	43	26	66	40	
Eastern Europe.....	34	26	31	25	46	47	22	-25	
Addendum: OPEC.....	3,629	4,311	3,258	2,811	3,067	3,039	2,367	-672	

Note: Regional and country data exclude special category exports. 1/ Based on U.S. Department of Commerce DOC-3 definition.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 17

U.S. Trade in Petroleum and Petroleum Products 1/, 1970-87
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Billions of dollars)

	Imports			Petroleum Products Value	Total Value	Exports Value	Balance Value
	Crude Petroleum		Price 3/				
	Value	Quantity 2/					
1970.....	1.4	545	2.57	1.7	3.1	0.5	-2.6
1971.....	1.8	676	2.66	2.1	3.9	0.5	-3.4
1972.....	2.5	901	2.77	2.4	4.9	0.4	-4.5
1973.....	4.5	1,294	3.48	4.4	8.9	0.5	-8.4
1974.....	16.6	1,367	12.14	12.1	28.7	0.5	-28.2
1975.....	19.8	1,585	12.49	9.3	29.1	0.9	-28.2
1976.....	27.5	2,050	13.41	9.9	37.4	1.0	-36.4
1977.....	35.7	2,533	14.09	12.4	48.1	1.3	-46.8
1978.....	34.3	2,392	14.34	10.5	44.8	1.6	-43.2
1979.....	49.0	2,467	19.86	14.4	63.4	1.9	-61.5
1980.....	64.6	2,092	30.88	17.4	82.0	2.8	-79.2
1981.....	64.3	1,763	36.47	15.4	79.7	3.7	-76.0
1982.....	47.4	1,421	33.86	15.3	62.7	5.9	-56.8
1983.....	38.2	1,294	29.52	17.1	55.3	4.6	-50.7
1984.....	37.9	1,320	28.75	21.3	59.2	4.5	-54.7
1985.....	34.1	1,261	27.07	18.2	52.4	4.7	-47.7
1986.....	24.2	1,635	14.79	13.4	37.6	3.6	-34.0
1987.....	30.8	1,745	17.67	14.0	44.8	3.9	-40.9

Note: 1970-73 data are estimated.

1/ Defined by the U.S. Department of Commerce, Bureau of the Census.

2/ Millions of barrels.

3/ Dollars per barrel.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 18

U.S. Trade Volume and Average Unit Value Indexes (UVIs), 1981-87
(1981=100)

	Total Trade				Manufactures Trade 1/			
	Exports		Imports		Exports		Imports	
	UVI	Volume	UVI	Volume	UVI	Volume	UVI	Volume
1981.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1982.....	101.1	89.7	98.4	94.7	105.6	85.6	101.8	99.4
1983.....	102.2	84.3	94.3	104.7	106.8	80.9	98.7	115.6
1984.....	103.6	90.5	96.0	132.0	107.7	88.5	101.7	152.0
1985.....	102.9	89.1	93.6	137.9	110.0	88.9	100.4	171.6
1986.....	103.1	92.1	90.4	155.0	113.2	92.6	105.2	187.7
1987.....	105.2	100.7	96.7	160.4	116.4	100.1	112.2	192.5

1/ Manufactures include Schedules A/E 5-9. Includes undocumented exports to Canada, which are classed in Schedule E 9.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 19

Top 10 U.S. Trading Partners in 1987
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

TOTAL EXPORTS						TOTAL IMPORTS					
	1984	1985	1986	1987	Percent of 1987 Exports		1984	1985	1986	1987	Percent of 1987 Imports
Canada.....	51,777	53,287	55,512	59,814	23.7	Japan.....	60,371	72,380	85,457	88,074	20.8
Japan.....	23,575	22,631	26,882	28,249	11.2	Canada.....	66,911	69,427	68,662	71,510	16.9
Mexico.....	11,992	13,635	12,392	14,582	5.8	Germany, West....	17,810	21,232	26,128	28,028	6.6
United Kingdom...	12,210	11,273	11,418	14,114	5.6	Taiwan.....	16,088	17,761	21,251	26,406	6.2
Germany, West....	9,084	9,050	10,561	11,748	4.6	Mexico.....	18,267	19,392	17,558	20,520	4.8
Netherlands.....	7,554	7,269	7,847	8,217	3.2	United Kingdom...	15,044	15,573	16,033	17,998	4.2
Korea, South.....	6,037	6,096	6,355	8,099	3.2	Korea, South.....	10,027	10,713	13,497	17,991	4.2
France.....	5,983	5,956	7,216	7,943	3.1	Italy.....	8,504	10,381	11,312	11,698	2.8
Taiwan.....	5,003	4,700	5,524	7,413	2.9	France.....	8,516	9,959	10,586	11,177	2.6
Belgium.....	5,301	4,918	5,399	6,189	2.4	Hong Kong.....	8,899	8,994	9,474	10,490	2.5
MANUFACTURES EXPORTS						MANUFACTURES IMPORTS					
	1984	1985	1986	1987	Percent of 1987 Exports		1984	1985	1986	1987	Percent of 1987 Imports
Canada.....	46,102	48,470	50,999	54,738	27.4	Japan.....	59,737	71,657	84,736	87,354	25.9
Japan.....	12,110	12,345	16,912	16,319	8.2	Canada.....	48,738	50,626	53,041	54,538	16.1
United Kingdom...	10,665	10,071	10,122	12,784	6.4	Germany, West....	17,042	20,356	25,253	27,240	8.1
Mexico.....	9,082	10,846	10,424	12,245	6.1	Taiwan.....	15,639	17,293	20,709	25,769	7.6
Germany, West....	7,322	7,461	8,787	9,749	4.9	Korea, South.....	9,854	10,463	13,237	17,605	5.2
France.....	4,992	5,186	6,234	6,895	3.4	United Kingdom...	9,664	11,268	12,963	14,610	4.3
Netherlands.....	4,303	4,317	4,855	5,550	2.8	Mexico.....	8,246	9,163	10,625	13,861	4.1
Taiwan.....	2,867	2,940	3,583	5,157	2.6	Italy.....	7,289	8,868	9,966	10,384	3.1
Australia.....	4,386	5,063	5,171	5,050	2.5	Hong Kong.....	8,794	8,885	9,348	10,349	3.1
Korea, South.....	3,460	3,571	4,028	4,959	2.4	France.....	7,384	8,636	9,256	9,896	2.9
AGRICULTURAL EXPORTS						AGRICULTURAL IMPORTS					
	1984	1985	1986	1987	Percent of 1987 Exports		1984	1985	1986	1987	Percent of 1987 Imports
Japan.....	6,762	5,404	5,100	5,714	19.6	Canada.....	1,856	1,919	2,022	2,234	9.9
Canada.....	2,228	1,875	1,829	2,141	7.3	Brazil.....	2,541	2,362	1,972	2,085	9.2
Netherlands.....	2,279	1,865	2,078	1,979	6.8	Mexico.....	1,297	1,456	2,044	1,899	8.4
Korea, South.....	1,652	1,416	1,314	1,855	6.4	Australia.....	836	809	910	1,147	5.1
Germany, West....	1,074	951	1,138	1,309	4.5	Colombia.....	813	868	1,096	869	3.8
Taiwan.....	1,456	1,231	1,166	1,286	4.4	New Zealand.....	654	694	693	814	3.6
Mexico.....	2,039	1,692	1,098	1,212	4.2	Netherlands.....	701	721	787	796	3.5
USSR.....	2,817	1,864	647	923	3.2	France.....	693	783	823	769	3.4
Italy.....	797	669	723	698	2.4	Indonesia.....	862	763	742	764	3.4
Egypt.....	877	874	796	675	2.3	Italy.....	638	652	610	685	3.0

Source: U.S. Department of Commerce, Office of Trade and Investment Analysis.

Table 20

U.S. Merchandise Trade with Canada, 1980-87
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

	EXPORTS					
			Manufactured Products			
	Total	Agricultural	Total	High Tech. 1/	Auto-motive	Undocumented 2/
1980.....	40,331	2,211	34,526	5,476	8,913	4,936
1981.....	44,602	2,322	38,759	6,727	10,129	5,038
1982.....	37,887	2,114	32,666	6,148	9,354	4,167
1983.....	43,345	2,092	38,168	6,808	12,395	5,101
1984.....	51,777	2,228	46,102	8,383	15,656	5,253
1985.....	53,287	1,875	48,470	8,134	17,472	6,036
1986.....	55,512	1,829	50,999	8,022	16,506	10,179
1987.....	59,814	2,141	54,738	10,109	17,963	6,429
	IMPORTS					
1980.....	41,995	1,077	27,741	2,791	8,667	--
1981.....	46,827	1,177	31,543	3,627	10,403	--
1982.....	46,792	1,408	31,958	3,428	13,295	--
1983.....	52,546	1,507	36,200	3,498	16,939	--
1984.....	66,911	1,856	48,738	5,120	23,036	--
1985.....	69,427	1,919	50,626	5,365	24,718	--
1986.....	68,662	2,022	53,041	5,842	24,814	--
1987.....	71,510	2,234	54,538	6,368	24,604	--
	BALANCE					
1980.....	-1,664	1,134	6,785	2,685	246	--
1981.....	-2,224	1,145	7,216	3,100	-274	--
1982.....	-8,905	706	708	2,720	-3,941	--
1983.....	-9,201	585	1,968	3,310	-4,544	--
1984.....	-15,134	372	-2,635	3,263	-7,380	--
1985.....	-16,140	-44	-2,156	2,769	-7,246	--
1986.....	-13,151	-193	-2,042	2,180	-8,308	--
1987.....	-11,696	-93	200	3,741	-6,641	--

Note: Manufactured products include SITC 5-9.

1/ Based on U.S. Department of Commerce DOC-3 definition; excludes special category exports.

2/ Reported under Schedule E 9.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 21

U.S. Merchandise Trade with Japan, 1980-87
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

EXPORTS					
	Total	Agricultural	Manufactured Products		
			Total	High Tech. 1/	Auto-motive
1980.....	20,790	6,117	8,960	4,063	208
1981.....	21,823	6,570	10,080	4,854	189
1982.....	20,966	5,551	9,984	4,806	198
1983.....	21,894	6,246	10,815	5,614	206
1984.....	23,575	6,762	12,110	6,147	247
1985.....	22,631	5,404	12,345	6,605	257
1986.....	26,882	5,100	16,876	7,550	320
1987.....	28,249	5,714	16,319	8,552	426
IMPORTS					
1980.....	32,961	113	32,523	7,835	12,399
1981.....	39,904	133	39,501	10,732	13,960
1982.....	39,932	144	39,520	11,254	14,208
1983.....	43,559	187	43,065	14,441	16,341
1984.....	60,371	244	59,737	22,184	20,190
1985.....	72,380	220	71,657	25,165	26,527
1986.....	85,457	233	84,736	29,417	34,445
1987.....	88,074	238	87,354	30,474	35,213
BALANCE					
1980.....	-12,171	6,004	-23,564	-3,772	-12,191
1981.....	-18,081	6,437	-29,421	-5,878	-13,771
1982.....	-18,966	5,407	-29,536	-6,448	-14,010
1983.....	-21,665	6,059	-32,249	-8,827	-16,135
1984.....	-36,796	6,518	-47,627	-16,037	-19,943
1985.....	-49,749	5,184	-59,312	-18,560	-26,270
1986.....	-58,575	4,867	-67,860	-21,867	-34,125
1987.....	-59,825	5,476	-71,035	-21,922	-34,787

1/ Based on U.S. Department of Commerce DOC-3 definition; excludes special category exports.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 22

U.S. Merchandise Trade with EC-12, 1980-88
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

	EXPORTS				
	Total	Agricultural	Total	Manufactured Products	
				High Tech. 1/	Auto-motive
1980.....	58,850	11,105	40,431	18,054	1,029
1981.....	57,010	11,201	38,700	18,526	1,056
1982.....	52,361	10,393	34,585	17,295	1,031
1983.....	48,439	9,181	33,560	18,356	904
1984.....	50,498	8,193	36,725	20,354	920
1985.....	48,994	6,409	36,843	20,836	924
1986.....	53,154	6,714	40,744	23,218	1,062
1987.....	60,575	6,868	47,884	26,990	1,457
	IMPORTS				
	Total	Agricultural	Total	High Tech. 1/	Auto-motive
1980.....	39,941	2,654	33,449	6,894	6,081
1981.....	45,582	2,844	34,998	7,502	4,933
1982.....	46,414	3,121	35,099	7,192	5,622
1983.....	47,876	3,397	37,245	7,571	6,474
1984.....	63,412	4,080	50,919	10,853	8,639
1985.....	71,617	4,495	59,753	13,192	11,022
1986.....	79,520	4,636	69,144	15,370	13,215
1987.....	84,876	4,663	74,023	16,217	15,619
	BALANCE				
	Total	Agricultural	Total	High Tech. 1/	Auto-motive
1980.....	18,909	8,451	6,982	11,160	-5,052
1981.....	11,428	8,357	3,703	11,024	-3,877
1982.....	5,947	7,272	-515	10,103	-4,591
1983.....	563	5,784	-3,685	10,785	-5,570
1984.....	-12,914	4,113	-14,194	9,501	-7,719
1985.....	-22,623	1,914	-22,910	7,644	-10,098
1986.....	-26,366	2,078	-28,400	7,848	-12,153
1987.....	24,301	2,205	-26,139	10,773	-14,162

1/ Based on U.S. Department of Commerce DOC-3 definition; excludes special category exports.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 23

U.S. Merchandise Trade with the
Western Hemisphere Developing Countries, 1980-87
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

EXPORTS						
Manufactured Products						
	Total	Agricultural	Total	High Tech. 1/	Auto- motive	
1980.....	38,718	6,219	30,203	8,107	3,062	
1981.....	42,102	6,408	33,529	9,176	3,771	
1982.....	33,591	4,461	26,042	6,996	2,685	
1983.....	25,725	5,240	18,286	5,902	1,645	
1984.....	29,683	5,321	21,679	6,782	2,468	
1985.....	31,019	4,490	23,577	7,419	2,916	
1986.....	31,077	3,687	24,816	8,134	2,937	
1987.....	34,979	3,712	28,262	9,498	3,320	

IMPORTS						
Manufactured Products						
	Total	Agricultural	Total	High Tech.	Auto- motive	Textiles, Apparel
1980.....	38,713	7,826	8,782	2,198	628	878
1981.....	40,805	7,342	10,594	2,610	815	951
1982.....	39,603	6,372	10,494	2,485	1,080	866
1983.....	43,581	6,695	13,372	3,162	1,804	1,007
1984.....	50,063	8,230	17,718	4,090	2,669	1,417
1985.....	49,096	8,346	18,464	4,059	3,738	1,589
1986.....	44,112	9,066	20,053	4,562	4,310	1,842
1987.....	49,094	8,288	24,344	5,517	6,213	2,511

BALANCE						
Manufactured Products						
	Total	Agricultural	Total	High Tech.	Auto- motive	
1980.....	5	-1,607	21,421	5,909	2,434	
1981.....	1,297	-934	22,935	6,566	2,956	
1982.....	-6,012	-1,911	15,548	4,511	1,605	
1983.....	-17,856	-1,455	4,914	2,740	-159	
1984.....	-20,380	-2,909	3,961	2,693	-201	
1985.....	-18,077	-3,856	5,113	3,360	-822	
1986.....	-13,035	-5,379	4,763	3,572	-1,373	
1987.....	-14,115	-4,576	3,916	3,981	-2,893	

Note: Manufactured products include SITC 5-9.

1/ Based on U.S. Department of Commerce DOC-3 definition; excludes special category exports.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 24

U.S. Merchandise Trade with Mexico, 1980-87
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

EXPORTS						
	<u>Total</u>	<u>Agri- cultural</u>	<u>Manufactured Products</u>			
			<u>Total</u>	<u>High Tech. 1/</u>	<u>Auto- motive</u>	
1980.....	15,145	2,503	11,668	3,016	1,527	
1981.....	17,789	2,438	14,421	3,858	2,050	
1982.....	11,817	1,159	9,189	2,440	1,254	
1983.....	9,082	1,945	6,496	2,229	835	
1984.....	11,992	2,039	9,082	2,965	1,496	
1985.....	13,635	1,692	10,846	3,308	2,030	
1986.....	12,392	1,098	10,424	3,267	1,907	
1987.....	14,582	1,212	12,245	3,826	2,212	
IMPORTS						
	<u>Total</u>	<u>Agri- cultural</u>	<u>Manufactured Products</u>			
			<u>Total</u>	<u>High Tech.</u>	<u>Auto- motive</u>	<u>Textiles, Apparel</u>
1980.....	12,774	1,099	4,321	1,545	354	307
1981.....	14,013	1,143	5,259	1,776	490	313
1982.....	15,770	1,172	5,331	1,786	705	222
1983.....	17,019	1,269	6,328	2,186	1,322	251
1984.....	18,267	1,297	8,246	2,736	1,902	344
1985.....	19,392	1,456	9,163	2,895	2,840	370
1986.....	17,558	2,044	10,625	3,295	3,308	483
1987.....	20,520	1,899	13,861	4,153	4,723	603
BALANCE						
	<u>Total</u>	<u>Agri- cultural</u>	<u>Manufactured Products</u>			
			<u>Total</u>	<u>High Tech.</u>	<u>Auto- motive</u>	
1980.....	2,371	1,404	7,347	1,471	1,173	
1981.....	3,776	1,295	9,162	2,082	1,560	
1982.....	-3,953	-13	3,858	654	549	
1983.....	-7,937	676	169	43	-487	
1984.....	-6,275	742	836	229	-406	
1985.....	-5,757	236	1,683	413	-810	
1986.....	-5,166	-946	-201	-28	-1,401	
1987.....	-5,938	-687	-1,616	-327	-2,511	

Note: Manufactured products include SITC 5-9.

1/ Based on U.S. Department of Commerce DOC-3 definition; excludes special category exports.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 25

U.S. Merchandise Trade with the East Asian NIC's, 1980-87
(Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
(Millions of dollars)

EXPORTS						
	<u>Total</u>	<u>Agri- cultural</u>	<u>Manufactured Products</u>			
			<u>Total</u>	<u>High Tech. 1/</u>	<u>Auto- motive</u>	
1980.....	14,741	3,468	9,948	4,514	216	
1981.....	15,059	3,738	9,789	4,315	174	
1982.....	15,563	3,289	10,537	4,532 ^a	169	
1983.....	16,914	3,664	11,241	5,709	187	
1984.....	17,723	3,672	12,050	6,384	175	
1985.....	16,918	3,160	11,673	6,262	158	
1986.....	18,290	3,007	13,038	6,606	221	
1987.....	23,547	3,743	17,020	8,365	419	
IMPORTS						
	<u>Total</u>	<u>Agri- cultural</u>	<u>Manufactured Products</u>			<u>Textiles, Apparel</u>
			<u>Total</u>	<u>High Tech.</u>	<u>Auto- motive</u>	
1980.....	18,805	355	18,143	4,685	184	4,833
1981.....	22,057	356	21,293	5,486	205	5,634
1982.....	23,767	361	22,981	5,876	340	5,970
1983.....	29,561	404	28,713	8,191	508	6,927
1984.....	39,135	446	38,058	11,191	700	9,291
1985.....	41,880	449	40,487	11,134	837	9,777
1986.....	49,106	435	47,816	13,638	1,713	10,691
1987.....	61,283	460	59,768	17,676	3,309	12,261
BALANCE						
	<u>Total</u>	<u>Agri- cultural</u>	<u>Manufactured Products</u>			
			<u>Total</u>	<u>High Tech.</u>	<u>Auto- motive</u>	
1980.....	-4,064	3,113	-8,195	-171	32	
1981.....	-6,998	3,382	-11,503	-1,171	-31	
1982.....	-8,204	2,928	-12,444	-1,344	-171	
1983.....	-12,647	3,260	-17,472	-2,482	-321	
1984.....	-21,412	3,225	-26,008	-4,807	-525	
1985.....	-24,962	2,710	-28,814	-4,872	-679	
1986.....	-30,816	2,572	-34,779	-7,022	-1,492	
1987.....	37,735	3,283	-42,748	-9,311	-2,890	

1/ Based on U.S. Department of Commerce DOC-3 definition;
excludes special category exports.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 26

U.S. Merchandise Trade with OPEC, 1980-87
 (Domestic and foreign exports, f.a.s.; General imports, c.i.f.)
 (Millions of dollars)

<u>EXPORTS</u>					
	<u>Total</u>	<u>Agricultural</u>	<u>Manufactured Products</u>	<u>High Tech. 1/</u>	
			<u>Total</u>		
1980.....	17,761	2,590	14,431	3,339	
1981.....	21,530	3,243	17,499	3,686	
1982.....	22,864	2,607	19,498	4,392	
1983.....	16,905	2,673	13,468	3,348	
1984.....	14,387	2,982	10,727	2,946	
1985.....	12,480	2,214	9,614	3,114	
1986.....	10,844	1,950	8,264	3,104	
1987.....	11,057	2,179	8,149	2,413	
<u>IMPORTS</u>					
	<u>Total</u>	<u>Agricultural</u>	<u>Manufactured Products</u>	<u>Petroleum</u>	
				<u>Crude</u>	<u>Products</u>
1980.....	54,781	1,360	47,012	5,059	504
1981.....	51,793	1,195	43,685	5,322	645
1982.....	32,732	1,008	24,577	5,685	589
1983.....	26,494	1,052	17,437	5,567	1,052
1984.....	28,062	1,465	16,269	7,979	1,405
1985.....	24,062	1,511	13,731	6,558	1,435
1986.....	21,520	1,480	12,086	5,069	1,750
1987.....	25,740	1,352	16,042	5,332	1,946
<u>BALANCE</u>					
	<u>Total</u>	<u>Agricultural</u>	<u>Manufactured Products</u>		
1980.....	-37,020	1,230	13,927		
1981.....	-30,263	2,048	16,854		
1982.....	-9,868	1,599	18,909		
1983.....	-9,589	1,621	12,416		
1984.....	-13,675	1,517	9,322		
1985.....	-11,582	703	8,179		
1986.....	-10,676	470	6,514		
1987.....	-14,683	867	2,817		

1/ Based on U.S. Department of Commerce DOC-3 definition;
 excludes special category exports.

Source: U.S. Department of Commerce, Bureau of the Census.

Table 27

World Trade of Selected Countries, 1981-87
(Exports, f.o.b.; Imports, c.i.f.)
(Billions of dollars)

	1981		1982		1983		1984	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
World Total.....	1,972.4	2,034.6	1,830.8	1,908.1	1,807.8	1,878.7	1,902.0	1,987.1
Developed Countries.....	1,228.1	1,337.6	1,150.6	1,242.1	1,148.2	1,232.0	1,220.8	1,338.2
United States.....	238.7	273.4	216.4	254.9	205.6	269.9	224.0	346.4
Canada 1/.....	70.0	66.3	68.5	55.0	73.5	61.3	86.8	73.7
Japan.....	152.0	143.3	138.9	131.9	146.7	126.4	170.1	136.5
EC-12.....	627.3	681.1	593.2	637.9	591.3	623.2	602.4	630.3
Other Developed.....	140.1	173.5	133.6	162.4	131.1	151.2	137.1	151.3
Developing Countries.....	562.4	509.1	490.3	483.5	456.6	451.7	476.5	451.1
Western Hemisphere.....	116.0	128.2	102.2	106.2	103.0	82.3	110.3	84.1
Mexico.....	20.0	24.2	17.9	15.1	20.6	8.0	23.6	11.3
Brazil 2/.....	23.7	24.1	20.2	21.1	21.9	15.4	27.0	14.9
Other Western Hemisphere...	72.3	79.9	64.1	70.0	60.5	58.9	59.7	57.9
East Asia NICs.....	84.6	99.6	85.9	95.0	93.3	98.7	112.1	109.9
Other Developing.....	361.8	281.3	302.2	282.3	260.3	270.7	254.1	257.1
Centrally Planned Economies...	182.0	187.9	189.8	182.4	203.8	194.9	204.6	197.8
China.....	22.0	22.0	21.9	18.9	22.2	21.3	24.9	26.2
USSR 1/.....	79.0	73.0	86.9	77.8	91.3	80.4	91.7	80.7
Eastern Europe 1/.....	79.0	88.7	79.2	82.0	87.7	89.5	86.2	87.0
<hr/>								
	1985		1986		1987e			
	Exports	Imports	Exports	Imports	Exports	Imports		
World Total.....	1,927.5	2,027.0	2,115.4	2,215.8	2,398.6	2,490.9		
Developed Countries.....	1,266.0	1,386.4	1,467.9	1,553.9	1,723.4	1,821.0		
United States.....	218.8	352.5	226.8	383.0	252.9	424.1		
Canada.....	87.5	76.4	86.7	81.1	96.8	90.8		
Japan.....	175.7	129.5	209.2	126.4	230.3	149.8		
EC-12.....	640.2	658.9	784.5	773.9	938.8	938.2		
Other Developed.....	154.8	169.1	160.7	189.5	204.6	218.1		
Developing Countries.....	457.9	420.3	422.2	423.4	449.5	445.6		
Western Hemisphere.....	106.0	80.4	89.2	83.4	96.9	87.8		
Mexico.....	21.8	14.0	15.7	12.0	n.a.	n.a.		
Brazil 2/.....	25.6	13.2	22.4	15.6	n.a.	n.a.		
Other Western Hemisphere...	58.6	53.2	51.1	55.8	n.a.	n.a.		
East Asia NICs.....	113.9	107.1	132.4	116.6	158.3	144.9		
Other Developing.....	238.0	232.8	200.6	223.4	194.3	212.9		
Centrally Planned Economies...	203.5	220.3	25.3	238.5	247.8	250.6		
China.....	27.3	42.5	31.0	42.6	n.a.	n.a.		
USSR 1/.....	87.3	83.1	7.3	88.9	n.a.	n.a.		
Eastern Europe 1/.....	86.9	89.7	94.9	102.1	n.a.	n.a.		

e: estimated.

n.a.: Not available.

1/ Domestic and foreign exports; general imports, f.o.b.

2/ Domestic exports; imports for consumption.

Sources: United Nations, Statistical Office; International Monetary Fund.

Table 28

Manufactures Trade of Selected Countries, 1970-87
(Domestic and foreign exports, f.o.b.; General imports, c.i.f.)
(Billions of dollars)

	Canada			Japan			EC-12		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1970.....	9.8	10.8	-1.0	18.3	5.7	12.5	94.0	75.3	18.7
1971.....	10.5	12.6	-2.1	22.8	5.6	17.2	107.4	83.4	24.0
1972.....	11.8	15.6	-3.8	27.3	7.0	20.4	129.2	101.1	28.1
1973.....	13.8	18.9	-5.1	35.3	11.7	23.6	174.8	140.3	34.5
1974.....	16.6	24.9	-8.2	53.3	14.7	38.6	227.5	174.4	53.0
1975.....	16.8	25.7	-9.0	53.9	11.7	42.2	245.5	181.6	64.0
1976.....	20.8	29.3	-8.5	65.3	13.7	51.6	271.3	210.8	60.4
1977.....	23.2	30.8	-7.7	78.4	15.0	63.4	315.7	241.4	74.3
1978.....	26.4	33.0	-6.6	95.0	20.6	74.4	383.7	299.7	84.0
1979.....	30.7	41.5	-10.8	100.1	28.2	71.9	474.1	385.0	89.1
1980.....	34.6	43.1	-8.5	125.9	31.5	94.5	536.3	446.7	89.6
1981.....	38.8	49.4	-10.6	148.1	32.3	115.8	478.6	378.6	100.0
1982.....	38.8	42.3	-3.5	135.5	31.2	104.3	464.3	369.7	94.6
1983.....	43.0	49.3	-6.2	143.6	33.0	110.6	455.3	365.8	89.5
1984.....	52.9	60.6	-7.7	166.7	38.4	128.3	465.9	376.2	89.7
1985.....	54.7	64.3	-9.6	172.6	38.1	134.5	498.3	402.1	96.2
1986.....	56.3	69.5	-13.2	205.6	52.5	152.8	640.6	543.7	96.8
1987.....	61.7	74.8	-13.1	225.3	66.0	159.4	NA	NA	NA

Note: Because the EC-12 data are an aggregation of the data from the individual member countries, the EC-12 export data are a mixture of domestic and domestic and foreign merchandise and the EC-12 import data are a mixture of general imports and imports for consumption. Balances are calculated from unrounded values. Manufactures include SITC 5-9 (on an SITC Rev 1 basis). Canadian imports are valued f.o.b.

Source: United Nations, Statistical Office.

Table 29

Volume of Manufactures Trade of Selected Countries, 1980-87
(1983=100)

	Canada		Japan		EC-12	
	Exports	Imports	Exports	Imports	Exports	Imports
1980.....	84.2	100.0	84.9	86.1	96.2	NA
1981.....	89.0	102.9	94.1	96.9	98.1	NA
1982.....	89.3	85.3	92.1	97.6	97.2	NA
1983.....	100.0	100.0	100.0	100.0	100.0	NA
1984.....	125.9	122.9	116.1	120.2	108.5	NA
1985.....	132.8	131.1	121.1	122.4	114.1	NA
1986.....	138.1	137.6	119.9	152.3	116.0	NA
1987.....	n.a.	n.a.	117.6	166.2	117.9	NA

Note: Manufactures include SITC 5-8.

Source: U.S. Department of Commerce;
United Nations, Statistical Office.

Table 30

Average Unit Value Indexes of Manufactures Exports of Selected Countries, 1980-87
(1983=100)

	In U.S. Dollars				In National Currencies			
	United States	Canada	Japan	EC-12 1/	United States	Canada	Japan	EC-12 1/
1980.....	83.6	94.6	103.2	123.5	83.6	89.6	98.5	79.0
1981.....	93.7	99.4	109.5	107.4	93.7	96.6	101.7	85.6
1982.....	99.0	99.6	102.3	104.9	99.0	99.8	107.2	95.3
1983.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1984.....	100.9	102.3	99.7	93.8	100.9	97.4	99.7	105.8
1985.....	103.0	100.1	98.8	96.3	103.0	110.8	99.2	112.4
1986.....	106.0	100.3	119.4	121.0	106.0	113.1	84.7	110.0
1987.....	109.0	n.a.	134.0	138.3	109.0	n.a.	81.6	109.1

Note: Manufactures include SITC 5-8.

1/ EC-12 unit value index adjusted by the average ECU per U.S. dollar exchange rate index.

Source: U.S. Department of Commerce;
United Nations, Statistical Office.

Table 31

Gross National Product of Selected Countries, 1970-87
(1983=100)

	United States		Canada		Japan		EC-12 1/	
	Nominal	Real	Nominal	Real	Nominal	Real	Nominal	Real
1970.....	29.8	73.7	22.0	61.8	26.1	57.5	22.4	72.9
1971.....	32.4	75.8	24.2	65.3	28.7	60.0	24.9	75.5
1972.....	35.6	79.5	26.8	69.1	32.9	65.1	27.7	78.8
1973.....	39.9	83.7	31.4	74.4	40.1	70.2	31.6	83.5
1974.....	43.2	83.2	37.5	77.7	47.8	69.2	35.7	85.1
1975.....	46.9	82.2	42.3	79.7	52.8	71.1	39.9	84.3
1976.....	52.3	86.2	48.8	84.6	59.3	74.5	46.0	88.5
1977.....	58.4	90.3	53.7	87.6	66.1	78.5	51.7	90.6
1978.....	66.1	95.0	59.5	91.6	72.9	82.6	58.2	93.4
1979.....	73.6	97.4	68.1	95.2	79.1	86.9	65.8	96.4
1980.....	80.2	97.2	76.4	96.6	85.6	90.6	74.5	97.7
1981.....	89.6	99.1	87.7	101.2	91.5	94.0	82.2	97.8
1982.....	93.0	96.6	92.3	96.9	96.1	96.9	91.0	98.5
1983.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1984.....	110.8	106.8	109.8	106.3	106.4	105.1	108.0	102.6
1985.....	117.8	110.0	118.2	110.8	113.1	110.0	118.6	105.0
1986.....	124.4	113.2	125.7	114.5	117.9	112.7	128.5	107.7
1987.....	131.8	116.5	136.5	118.9	122.9	117.7	134.9	109.4

Note: Valued in national currencies.

1/ Gross domestic product. 1987 estimated.

Source: U.S. Department of Commerce, Bureau of Economic Analysis;
OECD, Main Economic Indicators, National Accounts.

Table 32

Ratios of U.S. Merchandise Trade to GNP
and Goods Production, 1970-87
(In percent)

	<u>Ratio of Exports to</u>		<u>Ratio of Imports to</u>	
	<u>GNP</u>	<u>Goods Production</u>	<u>GNP</u>	<u>Goods Production</u>
1970.....	4.2	9.1	4.2	9.2
1971.....	3.9	8.8	4.4	9.9
1972.....	4.0	9.1	4.9	11.1
1973.....	5.2	11.4	5.5	12.1
1974.....	6.6	14.7	7.5	16.7
1975.....	6.7	14.9	6.6	14.8
1976.....	6.4	14.2	7.4	16.6
1977.....	6.0	13.5	8.1	18.2
1978.....	6.4	14.4	8.1	18.4
1979.....	7.3	16.7	8.7	19.8
1980.....	8.1	18.9	9.2	21.4
1981.....	7.7	17.7	8.9	20.5
1982.....	6.7	16.8	8.0	19.2
1983.....	5.9	14.4	7.9	19.2
1984.....	5.8	13.7	9.0	21.4
1985.....	5.3	13.0	9.0	22.0
1986.....	5.1	12.8	9.1	22.8
1987.....	5.4	13.7	9.4	23.6

Note: In terms of domestic exports (f.a.s.), including military grant aid (MGA); imports for consumption (c.i.f.); and goods production delivered to final demands.

Source: U.S. Department of Commerce, Office of Trade and Investment Analysis.

Table 33

Exchange Rates of the U.S. Dollar, 1970-87 1/
(1983=100)

	15-Country Average 3/	13-Developed Country Average 3/	Canadian Dollar	Japanese Yen	EC-12 Average 4/
1970.....		100.2	84.7	150.8	86.1
1971.....		97.3	81.9	146.5	84.1
1972.....		90.9	80.3	127.6	78.3
1973.....		85.5	81.1	114.4	71.9
1974.....		86.9	79.4	123.0	73.5
1975.....		87.3	82.5	125.0	71.5
1976.....		89.7	80.0	124.9	80.3
1977.....		89.3	86.3	113.0	78.9
1978.....		82.5	92.6	88.6	70.9
1979.....		81.7	95.1	92.3	65.6
1980.....	71.2	81.7	94.9	95.5	63.9
1981.....	78.8	88.8	97.3	92.9	78.9
1982.....	90.0	97.2	100.1	104.9	90.1
1983.....	100.0	100.0	100.0	100.0	100.0
1984.....	113.1	106.8	105.1	100.0	113.2
1985.....	125.4	110.5	110.8	100.4	117.8
1986.....	115.2	92.7	112.7	70.9	92.3
1987.....	111.2	82.7	107.6	60.9	79.2

1/ Foreign currency units per U.S. dollar.

2/ Includes 9 developed countries: Japan, Canada, Belgium, France, Italy, West Germany, Sweden, Switzerland and United Kingdom, and 6 developing countries: South Korea, Singapore, Taiwan, Hong Kong, Mexico and Brazil, with Country weights by 1985 trade with the United States.

3/ Austria, Belgium, Canada, Denmark, France, West Germany, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, and the United Kingdom. Country weights assigned by the amount of 1983 trade with the United States.

4/ Based on Belgium, France, West Germany, Italy, Netherlands, and the United Kingdom, with country weights assigned by the amount of 1983 trade with the United States.

Source: U.S. Department of Commerce,
Office of Trade and Investment Analysis.

Table 34

Short-Term (Money Market) Interest Rates in Selected Countries, 1980-87
(In percent)

	United States	Canada	Japan	West Germany	France	United Kingdom
1980.....	13.36	13.28	10.93	9.06	11.85	15.62
1981.....	16.38	18.14	7.43	11.26	15.30	13.12
1982.....	12.26	14.35	6.94	8.67	14.87	11.36
1983.....	9.09	9.62	6.39	5.36	12.53	9.08
1984.....	10.23	10.91	6.10	5.55	11.74	7.62
1985.....	8.10	9.57	6.46	5.19	9.93	10.75
1986.....	6.81	9.30	4.79	4.57	7.79	10.68
1987.....	6.66	8.03	3.51	3.72	7.98	9.66

Source: International Monetary Fund, International Financial Statistics.

Table 35

Manufacturing Unit Labor Costs, Compensation, and Output in
Selected Countries, 1970-87 ^{1/}
(1983=100)

	<u>United States</u>	<u>Canada</u>	<u>Japan</u>	<u>West Germany</u>	<u>United States</u>	<u>Canada</u>	<u>Japan</u>	<u>West Germany</u>
	Unit Labor Costs (in national currencies)				Hourly Compensation (in U.S. dollars)			
1970.....	49.0	37.7	52.9	54.2	35.3	31.9	16.0	22.6
1975.....	63.2	53.0	97.1	75.4	52.4	54.0	47.9	59.3
1980.....	90.1	79.5	99.5	93.0	81.5	78.1	90.3	119.2
1981.....	96.6	87.3	103.1	97.4	89.4	87.6	99.4	102.8
1982.....	102.6	101.1	102.3	100.6	97.0	94.1	92.6	100.0
1983.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1984.....	98.1	94.5	96.1	101.1	103.4	99.5	103.1	94.1
1985.....	98.2	96.7	93.9	103.0	108.9	99.1	107.6	96.5
1986.....	97.8	100.1	94.5	106.2	112.5	101.2	157.8	136.9
1987.....	95.9	na	na	na	114.0	na	na	na
	Unit Labor Costs (in U.S. dollars)				Output per Person-Hour			
1970.....	49.0	44.5	35.1	37.9	72.1	71.7	45.5	59.7
1975.....	63.2	64.3	77.8	78.4	82.9	84.1	61.6	75.6
1980.....	90.1	83.9	104.8	130.8	90.5	93.2	86.2	91.1
1981.....	96.6	89.7	111.0	110.4	92.5	97.6	89.4	93.1
1982.....	102.6	101.0	97.6	105.8	94.6	93.3	94.9	94.5
1983.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1984.....	98.1	89.9	96.1	90.7	105.4	110.8	107.2	103.7
1985.....	98.2	87.3	93.5	89.4	110.9	113.6	115.0	108.0
1986.....	97.8	89.4	133.4	124.9	115.0	113.3	118.2	109.6
1987.....	95.9	na	na	na	118.9	na	na	na

^{1/} Data relate to all employed persons (wage and salary earners, the self-employed, and unpaid family workers) in the United States and Canada, and all employees (wage and salary earners) in the other countries.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Table 36

Selected U.S. Employment Indicators, 1980-87

	<u>Total ^{1/}</u>	<u>Employment ^{1/} (thousands) Manufacturing</u>	<u>Unemployed Workers (thousands)</u>	<u>Unemployment Ratio ^{2/} (percent)</u>
1980.....	99,303	20,285	7,637	7.0
1981.....	100,397	20,170	8,273	7.5
1982.....	99,526	18,781	10,678	9.5
1983.....	100,834	18,434	10,717	9.5
1984.....	105,005	19,378	8,539	7.4
1985.....	107,150	19,260	8,312	7.1
1986.....	109,597	18,994	8,237	6.9
1987.....	112,440	19,112	7,425	6.1

^{1/} Persons 16 years of age and older, including resident armed forces.

^{2/} As a percent of the total labor force.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Table 37

Civilian Labor Force Unemployment Rates in Selected Countries,
1980-87
(In percent)

	United States	Canada	Japan	France	West Germany	United Kingdom
1980.....	7.1	7.5	2.0	6.4	2.9	7.0
1981.....	7.6	7.5	2.2	7.5	4.1	10.5
1982.....	9.7	11.0	2.4	8.3	5.8	11.3
1983.....	9.6	11.9	2.7	8.5	7.1	11.9
1984.....	7.5	11.3	2.8	9.9	7.4	11.7
1985.....	7.2	10.5	2.6	10.4	7.5	11.2
1986.....	7.0	9.6	2.8	10.7	7.2	11.2
1987.....	6.2	8.9	2.9	11.1	7.2	10.3

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Table 38

U.S. Current Account, by Major Component, 1977-87
(Billions of dollars)

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Merchandise Trade:											
Exports.....	\$120.8	\$142.1	\$184.5	\$224.3	\$237.1	\$211.2	\$201.8	\$219.9	\$215.9	\$224.4	\$250.8
Imports.....	<u>151.9</u>	<u>176.0</u>	<u>212.0</u>	<u>249.7</u>	<u>265.1</u>	<u>247.6</u>	<u>268.9</u>	<u>332.4</u>	<u>338.1</u>	<u>368.7</u>	<u>410.0</u>
Balance.....	-31.1	-33.9	-27.5	-25.5	-28.0	-36.4	-67.1	-112.5	-122.1	-144.3	-159.2
Business Services:											
Exports.....	23.4	27.1	31.2	37.0	42.4	42.3	42.3	44.3	45.6	50.7	57.1
Imports.....	<u>20.9</u>	<u>23.7</u>	<u>27.2</u>	<u>29.4</u>	<u>32.3</u>	<u>33.0</u>	<u>35.8</u>	<u>42.3</u>	<u>45.8</u>	<u>48.2</u>	<u>56.2</u>
Balance.....	+2.5	+3.4	+4.0	+7.6	+10.2	+9.2	+6.6	+2.0	-0.2	+2.6	+0.9
Other Goods & Services:											
Exports.....	7.9	8.6	7.0	8.7	10.6	12.6	13.0	10.7	9.5	9.5	12.4
Imports.....	<u>6.8</u>	<u>8.5</u>	<u>9.5</u>	<u>11.7</u>	<u>12.5</u>	<u>13.7</u>	<u>14.2</u>	<u>13.4</u>	<u>13.7</u>	<u>14.3</u>	<u>15.8</u>
Balance.....	+1.1	+0.1	-2.5	-3.0	-1.9	-1.1	-1.2	-2.7	-4.2	-4.8	-3.4
International Investment											
Income:											
Receipts.....	32.2	42.2	64.1	72.5	86.4	83.5	77.3	85.9	88.3	88.2	99.8
Payments.....	<u>14.2</u>	<u>21.7</u>	<u>33.0</u>	<u>42.1</u>	<u>52.3</u>	<u>54.9</u>	<u>52.4</u>	<u>67.4</u>	<u>62.9</u>	<u>67.4</u>	<u>85.3</u>
Balance.....	+18.0	+20.6	+31.2	+30.4	+34.1	+28.7	+24.9	+18.5	+25.4	+20.8	+14.5
Total Goods & Services:											
Exports.....	184.3	220.0	286.8	342.5	376.5	349.6	334.4	360.8	359.5	372.8	420.1
Imports.....	<u>193.8</u>	<u>229.9</u>	<u>281.7</u>	<u>333.0</u>	<u>362.2</u>	<u>349.3</u>	<u>371.2</u>	<u>455.6</u>	<u>460.6</u>	<u>498.5</u>	<u>567.3</u>
Balance.....	-9.5	-9.9	+5.1	+9.5	+14.3	+0.3	-36.8	-94.8	-101.1	-125.7	-147.2
Net Unilateral Transfers....	<u>-5.0</u>	<u>-5.6</u>	<u>-6.1</u>	<u>-7.6</u>	<u>-7.5</u>	<u>-9.0</u>	<u>-9.5</u>	<u>-12.2</u>	<u>-15.3</u>	<u>-15.7</u>	<u>-13.5</u>
Current Account Balance.....	-14.5	-15.4	-1.0	+1.9	+6.9	-8.7	-46.2	-107.0	-116.4	-141.4	-160.7

Note: Balances are calculated from unrounded values.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Table 39

U.S. Business Services Trade, by Component, 1977-87
(Millions of dollars)

	Total Business Services			Travel			Passenger Fares		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1977....	23,374	20,866	2,508	6,150	7,451	-1,301	1,366	2,748	-1,382
1978....	27,103	23,738	3,365	7,183	8,475	-1,292	1,603	2,896	-1,293
1979....	31,155	27,157	3,998	8,441	9,413	-972	2,156	3,184	-1,028
1980....	37,040	29,428	7,612	10,588	10,397	191	2,591	3,607	-1,016
1981....	42,445	32,253	10,192	12,913	11,479	1,434	3,111	4,487	-1,376
1982....	42,260	33,048	9,212	12,393	12,394	-1	3,174	4,772	-1,598
1983....	42,341	35,759	6,582	11,408	13,556	-2,148	3,037	5,484	-2,447
1984....	44,303	42,346	1,957	11,353	15,449	-4,096	3,028	6,502	-3,474
1985....	45,628	45,826	-198	11,675	16,482	-4,807	3,040	7,313	-4,273
1986....	50,733	48,174	2,559	12,913	17,627	-4,714	3,562	6,842	-3,280
1987....	57,120	56,243	877	15,374	20,785	-5,411	4,649	8,046	-3,397
	Shipping & Other Transp.			Royalties and License Fees*			Other Business Services		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1977....	7,090	7,972	-882	4,920	505	4,415	3,848	2,190	1,658
1978....	8,136	9,124	-988	5,885	670	5,215	4,296	2,573	1,723
1979....	9,971	10,906	-935	6,184	832	5,352	4,403	2,822	1,581
1980....	11,618	11,790	-172	7,085	725	6,360	5,158	2,909	2,249
1981....	12,560	12,474	86	7,284	651	6,633	6,577	3,162	3,415
1982....	12,317	11,710	607	5,176	618	4,558	7,200	3,554	5,646
1983....	12,590	12,222	368	5,276	723	4,553	10,030	3,774	6,256
1984....	13,809	14,843	-1,034	5,645	956	4,689	10,468	4,596	5,872
1985....	14,064	15,852	-1,786	6,116	892	5,224	10,731	5,287	5,444
1986....	15,190	17,099	-1,909	6,862	1,077	5,785	12,206	5,529	6,677
1987....	16,545	19,363	-2,818	8,101	1,220	6,881	12,451	6,829	5,622

* Referred to as proprietary rights in the text.

Note: Surplus [+], deficit [-].

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business.

Table 40

U.S. International Investment Income, by Component, 1977-87
(Millions of dollars)

	<u>Total Investment</u>			<u>Direct Investment</u>		
	<u>Receipts</u>	<u>Payments</u>	<u>Balance</u>	<u>Receipts</u>	<u>Payments</u>	<u>Balance</u>
1977....	32,179	14,217	17,962	19,673	2,834	16,839
1978....	42,245	21,680	20,565	25,458	4,211	21,247
1979....	64,132	32,960	31,172	38,183	6,357	31,826
1980....	72,506	42,120	30,386	37,146	8,635	28,511
1981....	86,411	52,329	34,082	32,549	6,898	25,651
1982....	83,549	54,883	28,666	21,381	3,155	18,226
1983....	77,251	52,376	24,875	20,499	5,598	14,901
1984....	85,910	67,419	18,491	21,217	9,229	11,988
1985....	88,299	62,901	25,398	32,665	6,079	26,586
1986....	88,209	67,365	20,844	36,697	5,846	30,851
1987....	99,772	85,288	14,484	47,928	12,632	35,296

	<u>Other Private Investment</u>			<u>U.S. Government Transactions</u>		
	<u>Receipts</u>	<u>Payments</u>	<u>Balance</u>	<u>Receipts</u>	<u>Payments</u>	<u>Balance</u>
1977....	10,881	5,841	5,040	1,625	5,542	-3,917
1978....	14,944	8,795	6,149	1,843	8,674	-6,831
1979....	23,654	15,481	8,173	2,295	11,122	-8,827
1980....	32,798	20,893	11,905	2,562	12,592	-10,030
1981....	50,182	28,553	21,629	3,680	16,878	-13,198
1982....	58,050	33,443	24,607	4,118	18,285	-14,167
1983....	51,920	28,953	22,967	4,832	17,825	-12,993
1984....	59,464	38,421	21,043	5,229	19,769	-14,540
1985....	50,131	35,516	14,615	5,503	21,306	-15,803
1986....	45,191	38,912	6,279	6,321	22,607	-16,286
1987....	46,530	48,610	-2,080	5,314	24,046	-18,732

Note: Surplus [+], deficit [-].

Source: U.S. Department of Commerce,
Bureau of Economic Analysis, Survey of Current Business.

Table 41

Summary of U.S. International Transactions, 1977-87
(Billions of dollars)

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Current Account											
Balance.....	-14.5	-15.4	-1.0	1.9	6.9	-8.7	-46.2	-107.0	-116.4	-141.4	-160.7
Net Capital Flows:											
U.S. Assets Abroad.....	-34.8	-61.1	-64.3	-86.1	-111.0	-121.2	-49.8	-22.3	-31.4	-96.0	-63.8
Foreign Assets in U.S.....	<u>51.3</u>	<u>64.0</u>	<u>38.8</u>	<u>58.1</u>	<u>83.0</u>	<u>93.7</u>	<u>84.9</u>	<u>102.5</u>	<u>129.9</u>	<u>213.4</u>	<u>202.6</u>
Net Capital Flows.....	16.5	2.9	-25.5	-28.0	-28.0	-27.5	35.1	80.2	98.5	117.4	138.8
SDR Allocations.....	-	-	1.1	1.2	1.1	-	-	-	-	-	-
Statistical Discrepancy.....	-2.0	12.5	25.4	25.0	19.9	36.1	11.2	26.8	17.9	23.9	21.9

Note: Statistical discrepancy was formerly referred to as errors and omissions.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business.

Table 42

U.S. International Investment Position, Selected Years, 1970-87
(Billion of dollars)

	1970	1975	1980	1981	1982	1983	1984	1985	1986	1987	e/
NET POSITION											
Net Creditor (+) or Debtor (-).....	58.5	74.2	106.3	141.1	137.0	89.6	3.6	-111.9	-263.6	-400	
TOTAL ASSETS (U.S. Investment Abroad)	165.4	295.1	607.1	719.8	824.9	873.9	896.1	949.4	1,067.9	1,130	
U.S. Government.....	46.6	58.0	90.5	98.8	108.5	113.3	119.8	130.8	138.0	130	
Private.....	118.8	237.1	516.6	621.1	716.4	760.7	776.3	818.5	929.9	1,000	
Direct Investment.....	75.5	124.0	215.4	228.3	207.8	207.2	211.5	229.7	259.9	300	
Portfolio.....	20.9	34.9	62.7	63.4	75.5	83.8	89.1	112.8	131.1	130	
U.S. Claims on Unaffiliated Foreigners Reported by U.S.											
Non-Banks.....	8.5	18.3	34.7	35.9	28.6	35.1	30.1	28.6	32.6	30	
U.S. Claims Reported by U.S. Banks.....	13.8	59.8	203.9	293.5	404.6	434.5	445.6	447.4	506.4	540	
TOTAL LIABILITIES (Foreign Investment in U.S.)	106.9	220.9	500.8	578.7	688.0	784.3	892.5	1,061.3	1,331.5	1,530	
Foreign Official Assets in U.S.....	26.2	86.9	176.1	180.4	189.1	194.5	199.2	202.5	240.8	285	
Private.....	80.8	134.0	324.8	398.3	498.9	589.8	693.3	858.8	1,090.7	1,245	
Direct Investment.....	13.3	27.7	83.0	108.7	124.7	137.1	164.6	184.6	209.3	250	
U.S. Treasury Securities.....	1.2	4.2	16.1	18.5	25.8	33.8	58.2	83.6	96.0	90	
Portfolio.....	34.8	45.7	74.1	75.1	93.0	113.7	127.3	206.6	309.5	350	
U.S. Liabilities to Unaffiliated Foreigners Reported by U.S. Non-Banks.....	8.8	13.9	30.4	30.6	27.5	26.9	31.0	29.4	26.7	30	
U.S. Liabilities Reported by U.S. Banks.....	22.7	42.5	121.1	165.4	228.0	278.3	312.2	354.5	449.2	520	

e/ Estimated.

NOTE: Detail may not add to totals due to rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Table 43

Ratio of Savings to Disposable Personal Income in Selected Countries,
1970-87
(In percent)

	<u>United States</u>	<u>Canada</u>	<u>Japan</u>	<u>France</u>	<u>West Germany</u>	<u>Italy</u>	<u>Nether- lands</u>	<u>United Kingdom</u>
1970.....	8.1	5.3	18.2	16.7	14.7	21.6	14.0	9.6
1971.....	8.5	5.9	17.9	16.8	14.4	20.6	15.0	7.9
1972.....	7.3	7.4	18.2	16.8	15.3	21.4	15.4	9.9
1973.....	9.4	9.1	20.9	17.3	14.7	20.9	16.5	11.4
1974.....	9.3	9.9	23.7	17.4	15.7	19.2	16.6	11.9
1975.....	9.2	10.9	22.5	18.6	16.2	23.2	14.5	12.8
1976.....	7.6	9.2	22.4	16.4	14.5	22.9	14.6	12.1
1977.....	6.6	9.1	21.0	16.6	13.2	22.5	12.0	11.6
1978.....	7.1	10.8	20.6	17.5	13.2	23.8	12.1	12.7
1979.....	6.8	11.3	18.7	16.2	13.8	25.3	11.6	13.5
1980.....	7.1	12.3	19.2	14.9	14.0	22.0	10.9	14.3
1981.....	7.5	14.2	19.7	15.8	14.8	24.0	12.7	12.9
1982.....	6.8	15.2	17.6	15.7	13.8	24.0	14.5	12.2
1983.....	5.4	13.3	17.3	14.9	12.2	22.8	13.0	10.6
1984.....	6.1	13.2	16.0	13.5	12.8	23.0	14.0	10.7
1985.....	4.5	13.9	16.0	12.3	12.7	19.7	12.4	9.3
1986.....	4.3	11.5	NA	12.2	13.3	NA	13.0	7.4
1987.....	3.7	9.3	NA	NA	13.4	NA	NA	5.6

Source: U.S. Department of Commerce, Office of Trade and Investment Analysis.





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